

5 L
Xm. 56, N41
N41.140
69292

THE ECONOMIST

Vol. CXL

JANUARY 11, 1941

No. 5081

CONTENTS

LEADING ARTICLES

Executive	31
Speed of American Aid	33
Efficiency of Transport	34
Middle Eastern Neutrals	35

NOTES OF THE WEEK

The Fall of Bardia	36
Trade with America	36
The Export Arm	37
The Nation's Health	37
More Fighting in Roumania	38
Bombs on Eire	38
Plans Against Fire	38
Power over Persons	38
Shipping—Assistance from America	39
Less Meat and More Arms	39
Food Control and the Nation	39
Back to the Directory ?	40
Historians and the Invasion	40
Shorter Notes	40

THE WORLD OVERSEAS

Roumania in the Old Order and the New	40
Eire's Agricultural Grievances	41
Food for Greece	42
The New Federal Reserve Index	42
Herr von Neurath Admits Failure	43
Australian Labour Conditions	43
Algeria Faces Economic Disaster	44

THE BUSINESS WORLD

LEADING ARTICLE

The Commonwealth Mining Affair	45
--------------------------------------	----

FINANCE AND BANKING

Fall in the Circulation	46
The Fight for Bills	46
Treasury Deposit Repayment	47
Bank Clearings in 1940	47
Fairfax and Co.	47
Money Rates in 1940	47
Canadian Sterling Accounts	47

INVESTMENT NOTES

The Funds to the Fore	48
Recovery Continued	48

INVESTMENT NOTES—continued

Chinese Customs Recovery	48
The Year's Failures	48

COMPANY NOTES

Tobacco Company Results	49
First Bank and Discount Dividends	49
Further Cotton Progress	49
Turner and Newall Report	50
THE STOCK EXCHANGES	50
CAPITAL ISSUES	51
SHORTER COMMENTS	51

INDUSTRY AND TRADE

Fall in Unemployment	52
Retail Sales in November	52
Co-operative Trade	52
Economy in Lubricants	52
Cotton and Wool Prices	52
Norway's Metals in War	53
COMMODITY AND INDUSTRY NEWS	53

COMPANY MEETINGS

CURRENT STATISTICS	56
--------------------------	----

War Executive

THE Minister of Information has done well to point out that the successes of the Army of the Nile are due more to British skill than to Italian ineptitude. General Wavell's victories have been a triumph of co-ordination between the different arms, brought swiftly to the point of decisive action when the time was ripe. There is a lesson here for the organisers of the home front, upon whose efforts the ability of the three fighting forces to strike similar blows against the more formidable German foe must depend; and the need for "more rapid and decisive action" in the fields of war production and essential trade has now been recognised in the highest quarter. The conviction that output still lags far behind full capacity; the knowledge that shipping losses, damage at sea, port delays and congestion have appreciably narrowed our freedom to trade abroad; the realisation that, so far from our being able to lean upon American aid until the effort in our own factories has been laboriously brought up to its due scale, we must continue to hold and supply the fortress with only moderate help until American industry can, with no less pain and labour, be placed on a near-war footing—these have become general; and the announcement on Monday evening that the Prime Minister had set up a series of new "executives," or Ministerial committees, to direct economic policy came to meet widespread anxiety and doubt.

The machinery for co-ordinating the economic war effort, reconstructed when Mr Churchill made his National Government last year, is once more remodelled. The failure in practice of the Production Council, which was to have been the pivot of the country's industrial mobilisation, has at last been recognised. It has been abolished, and with it has

gone Mr Greenwood, whose tenure of responsibility for the economic aspects of administration had been neither happy nor fruitful. In the Council's stead, there is to be a Production Executive, consisting of the Minister of Labour, as chairman, the Minister of Aircraft Production, the First Lord of the Admiralty, the President of the Board of Trade and the Minister of Supply. Like its predecessor, this body will have the task of allocating resources of materials, plant and labour to meet war needs in order of urgency; while Mr Greenwood takes over what may possibly be the more congenial task of studying the problems of post-war reconstruction in preparation for the establishment of a new Ministry "when the end can be more clearly foreseen." A second "executive" will "animate and regulate the whole business of importation," the most vital and vulnerable point in the nation's armoury, and this Import Executive is to consist of the Minister of Supply, as chairman, the Minister of Aircraft Production, the First Lord of the Admiralty, the President of the Board of Trade, and the Minister of Food. Finally, the work of these two "executives" and of the existing Cabinet committees on civil defence, home policy and food policy will "continue to be concerted and directed" by the Ministerial committee which has the Lord President of the Council as chairman.

It is impossible to make any final comment on these rearrangements until some evidence is forthcoming of the results of the new committees' work. At first glance there is no fundamental change. The dubious principle of making policy in committees of hard-pressed and over-burdened heads of departments has been preserved, and when it is considered that Mr Bevin and Lord Beaverbrook have also to sit in

5L
Xm56, N41
N41. 140



Efficiency of Transport

THE cardinal vice of British campaigning on the economic front is inability to see ahead and to see things as a whole. We hardly ever prepare to meet the difficulties that lie ahead; we wait until they are right on top of us and then solve them as best we can. We hardly ever take a broad view of our problems; we allow each of the departments to take its own decisions and these frequently clash. We are still "muddling through," with a consequent loss of drive, efficiency and sense of direction.

This vice can be admirably illustrated by the way in which we run our transport industries. Broadly, we have three major facilities for moving things about in this country: the railways, the roads, the coastal shipping services; and one minor resource, the canals. Even before the war it was quite clear that, individually as well as collectively, these facilities would be subjected to considerable strain. But nothing was done to prepare for their operation as a single system. Each of the three major transport facilities is efficient if judged by its individual performance in the face of considerable difficulties. But transport as a whole may nevertheless be—and in fact is—inefficient. Valiant efforts are made by each of the services to solve its difficulties as they arise, though even at this stage transport is scarcely thought of as such, but as three separate entities.

The result is that we are not moving things about as efficiently as we should, or as we could if transport were treated as a single service with three major, and one minor, branches. The munition factories often cannot get their raw materials in time to maintain a balanced flow of production; finished munitions are not moved to their destinations on schedule; cargoes discharged at ports are not distributed quickly enough inland; and, as consumers in Southern England have discovered to their dismay, coal, though plentiful at the pits, is not delivered in adequate quantities to them. Indeed, transport is becoming the great bottleneck in the production of munitions, and the Government's efforts to set up priorities for the most urgent work are frequently nullified by the fact that all goods are subject to transport delays. Yet it is literally true that the result of the war depends on our transport being better than Hitler's.

What are the remedies? First, the transport problem must be seen as a whole, and the facilities at the disposal of the country should be treated as a single system with various branches. Within limits, the volume and the relative urgency of the things that must be moved about can be estimated in advance. Similarly, it is possible roughly to estimate the capacity of the various facilities. When it comes to distributing the traffic to the best advantage the various forms of transport must be regarded as so much carrying capacity, rather than in terms of railway, road and coastal shipping capacity. Only thus can we hope to move the maximum volume of goods.

Secondly, the transport problem should be approached quantitatively instead of financially—in physical, not in monetary terms. This need follows logically from the first, for so long as earnings are a major consideration in the case of each service, they are unlikely to be operated as one system. The chief defect of the railway agreement, for example, is that it stresses the need for making the railways pay rather than the need for utilising them in the national interest. As a result, the railways, whose spokesmen have the strongest voice at the Ministry of Transport, are not encouraged to forget that alternative forms of transport are their competitors; they naturally continue to regard any transfer of traffic—especially of the lighter and more remunerative classes of goods—

as an encroachment upon their rights, to be resisted by all the means in their power.

If transport were organised and treated as one entity instead of being operated, in a large measure, with reference to the financial interest of each separate service, it would be possible to make headway against many of the present difficulties. Fuller use could undoubtedly be made of existing capacity, for so long as there is competition between the various services, and between various undertakers within each section of the industry, there will automatically be margins of unused capacity, a luxury that cannot be afforded in present conditions. It would enable traffic managers to choose the means of transport that happens to be most convenient for the purpose at any given moment. It would also enable them to introduce greater flexibility in the supply of transport by quickly substituting one form of conveyance for another that may suddenly have been put out of use, by enemy action, for example. At present, when a railway line is blocked, urgent goods can be sent on by lorry only at a financial loss to the railway company. Again, unification would remove the practice, fostered by competition, of encouraging unremunerative traffic by cut rates—such as tempting passenger traffic by cheap fares.

These are the chief needs of the moment—to see the transport problem as a whole and to think of it in real, rather than in financial, terms; but there are other ways in which the present bottleneck in the movement of goods could be widened. One of these is to work out the first elements of a rationing system for transport. There is no reason, indeed, why transport, like raw materials and shipping space, should not be allocated in accordance with a well-thought-out system of priorities. So far the Government, with its deep-seated horror of drastic action, has shrunk from introducing a priority system in inland transport. It still relies largely on exhortation, with the result that production in munition factories is held up for lack of materials, because transport facilities are being used for less essential, or even unnecessary, purposes. The public is repeatedly told not to make unnecessary journeys by rail and to use private cars only for essential purposes; yet who is prepared to deny that if all the travellers by rail and road were stopped on any one day to prove the need of their journey, a substantial proportion would fail to pass the test. Transport is so scarce that we can no longer rely on exhortation, but must allocate it, like all other scarce commodities, by reference to a scale of priorities.

There is also a need to improve the internal efficiency of the road transport industry. As many lorries have been requisitioned by the Services, the total number available for ordinary transport is not appreciably smaller than at the outbreak of war. There is therefore all the more reason why the existing fleet should be operated at capacity and the adequate repair facilities should be made available. True, the lorries are all in use. But are they all doing a full day's work; are they all loaded to capacity; are all those that need repair made fit for service as quickly as possible? He would be a bold man who answered these queries in the affirmative, for anyone in London can see that each separate newspaper and each separate department store still runs its own fleet of half-empty delivery vans, that many lorries pass empty through the streets, that others stand idly in the owners' sheds for days. The solution, at least in part, lies in pooling. An elaborate pooling system was drawn up before the war. What is preventing use?

The bottleneck in transport could also be wider

to some extent by the greater use of the canal system. We cannot neglect these facilities simply because they do not pay in peace time. Canal traffic, true, is slow. But it is quite suitable for the conveyance of bulky goods whose delivery is not very urgent. Indeed, if used to the full where possible the canals might relieve in some measure the present congestion on the railways.

Finally, there is room for improvement in the traffic in ports. In view of the reduction in our import capacity it is quite inexcusable if ships are held up unnecessarily in ports, either because the goods they were arranged to carry do not arrive, or are not loaded in time, or because their discharge is delayed by insufficient or unwilling labour, by the non-arrival of railway wagons, or by the absence of forwarding instructions. In any case, the risk of damage through air raids should dictate the swift distribution of imports to safer storage places or to their final destination.

Unfortunately the emphasis on bigger production has had the effect of distracting public attention from

Middle Eastern Neutrality

SINCE the war began, the states of the Middle East have been passive spectators of the great struggle. To speak of their reactions is like describing the emotions which sway the audience of an absorbing play. The fact that their future depends upon the outcome of the drama only adds to the intensity of their attention. It does not compel them to spring on to the stage and play a part.

In the months before the collapse of France this passivity was largely due to the confidence that the Allies would keep the war out of the Mediterranean. Italy was not a belligerent. Turkey, allied with Britain and France, acted as a barrier to any Nazi advance on Baghdad. The colonial armies of France were massed in Tunis and Syria, and the arrival of Empire troops to reinforce the British garrison in Egypt received great publicity. The Allies gave an impression of overwhelming strength.

But the detachment of the various states also sprang from their feeling that, so long as the Axis Powers were held off, they had nothing to gain by joining in the struggle. During the last war the Arabs were under Turkish sovereignty and Lawrence found in their desire for independence a lever to bring them into the war. To-day, although there are a hundred unsettled disputes and unsatisfied claims within the area of the Middle East, they are not serious enough for any of the Powers to risk the uncertainties and sufferings of war and the dangers of foreign intervention, in the hope of securing some slight economic concession or frontier rectification. Saudi Arabia may not admit the loss of Akaba; Iran and Iraq may dispute the Shatt-el-Arab; the oilfields of Iraq may be coveted by all her neighbours; but the fate in Europe of Hitler's clients and victims alike is a warning against rides on the back of the Nazi tiger.

Britain, as a Power whose attitude is predictable, gains by this comparison with the unknown. For the duration, the Middle Eastern states are for the status quo and thus they are—negatively—for Britain. In some parts there are warmer feelings. And to the negative attitude there has until recently been one exception—Iran. For the Iranians the danger is in the north with Russia and in the south on the Gulf with Britain. Germany has always been welcomed as a counterweight. However, every evidence of closer relations between Germany and Russia is greeted with increasing gloom in Teheran, and something near a panic swept the country when Molotov's visit to Berlin was accompanied by rumours that, in return for a free hand in the Dardanelles, Germany was offering Russia an equally free hand in Iran. Such diplomacy brings Iran more into line with her neigh-

the equally important need of moving things about more quickly. If our factories are to work at full speed, they must be able to get their raw materials and to deliver their products without having to wait unnecessarily for transport. The importance of transport in the war effort must be more fully recognised; the problem must be seen as a whole in order to enable us to make the fullest use of our facilities; all unnecessary movement, whether of persons and goods, by rail or by road, must be cut out in order to make room for essential transport. In fact, we must widen the channels of transport and allow only essential traffic to pass through them. Otherwise our whole war effort will be stifled through congestion.

There is a Ministry of Transport. It has never yet been given its proper importance as one of the vital Departments, but has rather been treated as a proving ground for promising politicians. The Ministry now has, however, a Minister at its head who combines ability and energy in better proportions than any of his predecessors for ten years past. He has an enormous task and an enormous opportunity.

bours, who prefer Britain at least as the lesser evil. The calm of the ring of interested spectators was shattered in June when in a fortnight Italy entered the war, France collapsed, the Syrian and Tunisian armies abandoned the fight and Britain was left an apparently beleaguered garrison in Egypt. The Italians made no secret of their intentions in the Near East. Was not the Duce Protector of Islam? "British tyranny" should be brought to an end in Egypt. "An Italo-Palestine Union," wrote the *Tribuna*, "must be established under the King of Italy, Albania and Jerusalem, Emperor of Ethiopia." Italian propaganda worked at high pressure. Iraq had broken off relations with Germany in September, 1939, but the Italian declaration of war was ignored and Gabrielli, Italian Minister in Baghdad, is still at his post, while his Legation is a centre of propaganda and intrigue among the disaffected elements in Iraqi political life. To give only one example of Italian methods, a persistent rumour has been circulating that Britain, hard pressed by the Axis, is trying to compel Iraq into giving more assistance than the Anglo-Iraqi Treaty warrants. In Egypt, too, a difficult situation arose. Diplomatic relations were broken off after some hesitation, but the Italian Ambassador delayed his departure, and it was not until the equivocal policy of the Ali Maher Ministry was replaced by the loyal collaboration of a new Prime Minister that the position became satisfactory to Egypt's ally.

In spite of the obvious aggressiveness of the Axis, the only positive Middle Eastern reaction to the crisis of the summer was the journey of the Foreign Minister of Iraq, Nuri-es-Said, to Ankara at the end of June to consult with the Turkish Government over Axis intentions in Syria, a journey whose practical result is perhaps to be seen in the British Government's Declaration of July 1st that Britain was concerned in the future status of the Syrian Mandate. Otherwise, the Middle Eastern states awaited the outcome of the Mediterranean crisis in apprehension, doubt—and inactivity. However much they may have considered their position endangered by a possible Axis victory, there was no impulse to rally to Britain's side. It is a reaction which we have already met in Europe and shall probably meet again. It springs from the knowledge that one side is ruthless, the other accommodating. The argument runs: "If Britain wins we shall be safe anyway. If the Nazis are going to win our only hope is to do nothing to offend them now." Thus, so long as the issue is undecided, the Axis is the benefit of the doubt. And Britain must accept this unfortunate result of her past generosity.

With the spectacular turning of the tables this autumn in Albania and the Western Desert, culminating in the crushing defeat of Graziani's Libyan armies, the Middle Eastern states have returned with relief to the attitude of undisturbed confidence in Britain's ability to hold the Middle East which was theirs before the French collapse in June. It is perhaps a more enthusiastic confidence this time. There is more admiration in it and probably a good measure of gratitude, particularly in Egypt. In Aden and the Hadramaut, the sheiks speak delightedly of "our air force"; in Palestine local defence corps and pioneer corps find recruiting brisker—both among Jews and Arabs; in Egypt there have been demonstrations and congratulations on all sides; and Iraq has taken the opportunity of reaffirming her "traditional policy of friendship" and her recognition of the "nobility and political wisdom" of Britain's dealings with her. But this wave of warm enthusiasm is no more active than the previous mood of uneasiness. The Middle Eastern states are grateful because we have removed the possibility of war, not because we have offered them a chance of fighting victoriously on our side.

Is this passivity due to any lack on our part? Have we neglected any policy which in this war could have

repeated Lawrence's success? The educated Arabs have after all a passionate detestation of Nazism which amounts to an intellectual Jihad, and Graziani has left memories of his brutal régime in Libya which have brought the desert Bedouins to our side. While it is possible that the unsettled Palestinian dispute remains an obstacle to more active Arab backing, it is nearer the truth to say that, in this struggle of the Titans, no smaller Power will allow itself to be drawn into the war until it is definitely attacked, and even then it may prefer surrender. The cause of democracy could not unite Western Europe in its defence. Arab nationalism, however strong it may be as a force in internal politics, is even less likely to act as a rallying cry among the Middle Eastern states. Such schemes as there are for an Arab confederation are nebulous and are rendered impracticable by strong local, inter-Arab jealousies. The strength of Pan-Islam is no stronger than the appeal of Christianity in Europe. It can be an additional spur to fighting once fighting is inevitable. It cannot of itself create the desire to fight. The lesson for us is obvious. In the Middle East, as in Europe, we have to depend upon our own resources. We shall be applauded when we win. Millions will most devoutly hope for our victory. But we shall fight alone.

NOTES OF THE WEEK

The Fall of Bardia

The fall of Bardia is encouraging from every point of view. It is the British Army's first important victory upon enemy territory. The manner of its winning was a model of careful preparation, tactical brilliance and enthusiastic fighting. The three weeks which were taken to lead up to the assault insured that our own losses were ludicrously slight—under 600—in comparison with the number of prisoners taken. Again, Bardia provides further evidence that the mass of Italians are indifferent to the outcome of the war and can see no reason to risk their lives in a cause which means nothing to them. Best of all, Bardia provides us with a useful base for further operations. Reinforcements and supplies can be brought by sea; advance headquarters have already been moved up to the neighbourhood of the town; and the R.A.F. is busy reconditioning airfields abandoned by the Italian air force. It is, perhaps, this possibility of establishing a base at Bardia that has encouraged General Wavell to move on immediately to the attack on Tobruk. Our motorised patrols are now familiar with the 70 miles which lie in between, and within three days of the final surrender at Bardia our advance units had cut the Derna road west of Tobruk. The town is not so well defended as Bardia, although it is far more important as a base, and the Italians, who have already abandoned El Adem, the big aerodrome to the south, may not be prepared to make a stand. It is significant that Rome is preparing its people for further retreats. Nevertheless, the Italians claim that we are not yet in contact with their main forces under Graziani, and before Tobruk can be fully invested there must obviously be some reorganisation on our side before our armies are ready for the next offensive. Tobruk may fall like Jericho, but if a stand is made General Wavell can afford to take the time necessary to repeat the bloodless victory of Bardia.

The repercussions in Italy and Albania of the surrender of Bardia can only be disastrous. The Fascists have made matters worse by incredibly clumsy propaganda. A week ago the defence of Bardia was still "the defence of Fascism." Popular memory is notoriously short. Even so the couple of days during which Bardia descended from her proud post of "bastion of Fascism" to the status of an unnamed and unimportant frontier post, whose possession can only hinder Britain's chances of success is rather a strain on credulity. In the first bitter moments of defeat, Signor Ansaldo gave in a series of denunciations a very telling picture of the state of mind inside Italy. He cried woe to the in-

difference of the Italians who go to cinemas and football matches, or prefer the privacy of their own homes while deathless acts are being performed abroad. He urged them to rouse themselves from their apathy and not to delude themselves "in their petty arrogance and egoism that they can go on living like this... while others are fighting a war to which they do not even give a thought." Signor Ansaldo claimed that he was issuing "a terrible warning" to the Italian people. Indirectly, he also delivered a warning to the "early-collapse-of-Italy" school of thought over here. The trouble in Italy is not that the war is violently unpopular, but that the people prefer not to think about it at all. And they can still do so because the mainland of Italy has not been really touched by the war. Sporadic raids on a few towns are not enough to produce a passionate desire for peace. Increased rationing is not yet heavy enough to lead the Italians, who are used to short commons, into active revolt. There are few reports of unrest, none of sabotage. A great mass of the Italian people are peasants and they have been even less disturbed than the townspeople. The propaganda drive which the Fascist Party is staging all over Italy may well be concerned to increase enthusiasm rather than to crush resistance. The Duce complained of "universal pacifism" in his November speech. But the pacifism holds good for internal struggle as well as for foreign wars. Besides, even if a flicker of revolt were abroad in Italy, Mussolini has the means to extinguish it. He may be worsted abroad, but he can still get the better of his own people either unaided or with German assistance. The German air force is now officially helping the *Regia Aeronautica*; more German officers are at Italian headquarters; and some reports put the number of German divisions which have crossed the Brenner in recent weeks as high as 18 divisions. The Germans may well be obliged to take command in Italy as completely as they did in Austria during the last war. In any case, the chances of effective resistance by the Italian people are nil.

Trade With America

Current discussion about purchases from the United States is mainly concerned with ways and means of postponing payment when Britain's immediately available financial resources, heavily strained by the cash-down basis of the transactions, begin to run out. There is some danger of a false perspective being given. It is too easily forgotten that an appreciable part of British imports from the United States is covered by British exports to America, and the recent broadcast of the

President of the Board of Trade appealing to Americans to buy more of the British goods which they are already accustomed to purchase was a timely reminder of this aspect of the position. The common belief that, in commercial exchanges with British countries, the United States will sell but not buy has always been fallacious. America consistently sells more to Great Britain than she buys; but she buys more than three times as much from British colonies as she sells. The overall balance in normal times showed little marked advantage to either side; and even in trade with Great Britain American purchases of whisky, woollen and worsted goods, linen goods, pottery and glass have usually been considerable. It is true that vast war orders must make the large import surplus in Britain's trade with the United States very big indeed, but it will still be an incomplete view to suppose that Britain must depend entirely on credit, charity or capital resources to foot the bill. It is more urgent than ever that goods should be sold to the United States to create dollar balances; and the particular British goods which Americans favour, just as the tea, cotton, skins, jute, flax and wool of British India, and the rubber and tin of Malaya, have an important part to play in financing the material aid which the American people are selling to Britain. We cannot match goods with goods, but we can hold down the large deficiency to the smallest possible; and at a time when, owing to changes in Europe, the United States is more dependent than ever on Britain for sales of her minerals and foodstuffs, as well as war manufactures, it will repay American buyers to reduce to a minimum the heavy strain on financial ingenuity.

The Export Arm

It would be tragic and silly if the necessity to export more and more were to be lost from sight in the flood of imports and special payment problems. It is not possible to export any commodities essential to the war, except to Allies for war needs, and a number of characteristic British exports of machinery and the like are thereby excluded. But it is imperative that all non-essential commodities, which have suitable markets abroad for ready payment and which do not use labour or plant indispensable for war output, should be made and sold freely. It is so urgent that it should not be bounded by merely economic considerations. There is no question here of paying for American help by trying to dump goods there below cost of production; but there is no doubt that the positive side of exchange control policy, as a means of expanding the export of goods, has so far been a notable lack in British war economics.

Wartime Administration

Nothing has been so clearly marked in the four months of air raids as the distinction between the two aspects of the Government's civil defence policy: the fighting side and the social and welfare side. The former has in most cases exceeded expectations; in London it has been excellent. But evacuation, billeting, education, rehabilitating the bombed, shelters—all these problems seem, surprisingly enough, to have taken the central government quite unawares and have shown up local government at its very worst. In recent weeks, attention has been concentrated on shelter conditions because they are the blackest spot of all; even now, after four months, though there are undoubtedly improvements, the prevailing impression is that the conditions are still scandalous. For this, most of the blame is to be placed on the local authorities concerned. The Government has accepted the recommendations of Lord Horder's Committee wholesale, and instructions have been sent to the local authorities that they should be carried out; but the borough councils, especially in the poorer districts of London where conditions are naturally worst, have generally shown themselves quite incapable of dealing with the situation, even though they have been relieved of the financial burden. Now, however, they have been relieved of the executive responsibility as well. Henceforward, though the Ministry of Home Security will continue to be responsible for the number, position and construction of shelters, the Ministry of Health alone will be responsible for running them, that is, for sanitation, public order, bunking, lighting, heating, and so on. But, in addition, the Ministry of Health will delegate its duties and powers to the Regional Commissioners, as the

Ministry of Home Security, in providing shelter accommodation as in other A.R.P. matters, has always done. There are some consequential changes among the London Regional Commissioners. Captain Euan Wallace has resigned on grounds of ill-health, and his place has been filled by Alderman Charles Key, who will take over the responsibility for shelters, Admiral Evans, who since last autumn has had special shelter duties, resuming the general duties of a Regional Commissioner. Thus, though there is still a duality of responsibility for shelter policy, the execution of the policy is in one pair of hands—the Regional Commissioner's, the local authorities acting as his agents—and no longer should it be possible for reforms to be shelved because nobody knows whose job it is.

But the delegation of powers and functions to the Regional Commissioners by the Ministry of Health has a longer-term interest than the improvement of shelter welfare. Hitherto, their direct contact with the central Government has been through the Ministry of Home Security only. The Ministry of Health has its representatives in each region, so have the Ministry of Food and other Departments as well; but they are not members of the Regional Commissioner's office, and they have to work through the local authorities. It is true that virtually complete governing powers can be given to the Regional Commissioners, if communications with the central government break down, or if central government itself becomes impossible. This has not happened; instead, as Mr. Kenneth Lindsay recently said in Parliament, it is local government that has broken down, and surely the time has come for the Commissioners to assume wider powers. Billeting, the welfare of the bombed and the evacuated, communal feeding—these have been muffed by most local authorities, through indolence, incompetence or merely ignorance; where the regional machinery has been used, it has been far more successful. It is not suggested that the Regional Commissioners are the perfect substitute for local authorities, or that in each region the perfect choice has been made to fill the office; but at least they are free from the parochialism and self-interest that are the bane of modern local government.

The Nation's Health

Some anxiety will be relieved by the report of the nation's health in 1940, given by Sir Wilson Jameson, Chief Medical Officer of the Ministry of Health. In the crowded deep shelters there are at present only stray cases of infectious disease, and no report of an outbreak of typhoid, even in the worst raided places, has yet been notified. With one exception, moreover, there has been little increase in the number of cases of the chief infectious diseases during last year. Cases of scarlet fever and diphtheria are actually down compared with 1938 and 1939; pneumonia and enteric fever—of the paratyphoid, not typhoid, type—are slightly up; and dysentery is up on 1939 but down on 1938. The one exception is cerebro-spinal fever, the notorious war disease, cases of which amounted to approximately

Export
and
Import
Banking
on
Sweden

SKANDINAVISKA BANKEN

12,500 in 1940, compared with 1,500 in 1939 and 1,288 in 1938. It is quite true that the tremendous advance in chemo-therapy in the last few years has robbed cerebro-spinal fever of its old terrors—the death rate among cases has been reduced from 60 per cent. to 5 per cent., provided that there is early diagnosis and early treatment with special drugs. But the reduction in mortality does not mean that it is not still a severe enough illness for the increase last year to be regarded with some anxiety, and, with a huge army at home this winter, it would have been interesting to learn what proportion of the cases fell among the armed forces and civilian population respectively. And though it is reassuring to learn of the absence of epidemics in the shelters, it must be remembered that the epidemic season is only due to start now; the escape so far is due to good luck rather than good management—indeed, Sir Wilson summed up the position by saying that we had been very fortunate. His report must not be regarded as an excuse for any slackening in the efforts to make the public shelters healthier places to live in.

* * *

Rumour Campaign in the Balkans

It is still uncertain whether Germany is doing more than poking the Balkans out of the unusual quiet of the last month. In a war in which nerves are a military factor it is not good to allow any potential victim the chance of restoring its morale by a period of quiet. Bulgaria, an obvious choice, has been on the rack for a week. Both King Boris and M. Filov, the Prime Minister, are said to have been to Germany, and it is certain that the Prime Minister has paid a long visit to Vienna. There were also rumours that he would resign in favour of some more pro-Nazi politician. But with his return to Sofia, the part which Germany had played in spreading the rumours became more obvious. M. Filov strenuously denied either that he had seen Ribbentrop or that he had visited Vienna for any other reason than for his health. There is evidence, too, that Russia is keeping a wary eye on developments in Bulgaria. The reported arrival as Counsellor in Sofia of M. Alexandrov, an expert of the Soviet Foreign Office and former head of the Soviet delegation on the frontier-fixing Commission in Poland, has been accompanied by rumours that terms submitted by Germany and covering such matters as the passage of troops have been passed on to Moscow with a request for advice and, if possible, assistance. Nothing can be substantiated, but the existence of these reports at least suggests that Russia is taking a hand in the rumour campaign. In the meantime Field Marshal List, one of Germany's experts in mechanized warfare, has arrived in Roumania with a staff of five generals, and the number of troops under his command is increasing steadily. Nevertheless, it does not seem likely that a campaign will be launched before the spring. The Italians may be hard pressed, but winter is doing the work of Mussolini for the time being and delaying any serious Greek advance. The week's news from the Albanian front is of an advance so slow that it can only be called a "nibbling" at the enemy line, and the advance is likely to remain so for at least some weeks. Hitler is not likely, therefore, to launch a blow while his Roumanian base is torn by civil war, and before him lie flooded Bulgarian plains and frozen Balkan mountains.

* * *

Bombs on Eire

The only possible explanation of the bombs dropped by Germany on neutral Eire on the nights of January 1st and 2nd is that the Nazis were anxious to test the reaction of the Eire Government to further breaches of their neutrality. There could have been no possibility of mistake, for some of the bombs were dropped by night on Dublin, whose lights for months now have guided German raiders to our industrial centres in the North-West. Nor obviously was it part of any immediate plan of campaign. Reconnaissance flights are probably going on fairly regularly, but their value is not enhanced by punctuating them with a discharge of bombs. The only other explanation is that a Nazi airman in pure exhilaration at the sight of such a target dropped his bombs for the joy of it—but this is unlikely; not more

unlikely, however, than the explanations which the Germans are finding in answer to Eire's protest to Berlin and demand for compensation. The Nazis are apparently prepared to admit that the bombs of January 1st might have fallen from a German plane, but the bombs of January 2nd were "British bombs," and "as in the case of the *Athenia* there is very great suspicion" that they were "dropped with provocative intent in accordance with Churchill methods." The Germans are not likely to retreat from this position, although they have promised to make investigations. In the meantime, the bombs cannot fail to remind Eire how frail a protection is a one-sided neutrality.

* * *

Supplies to France

The necessities of war make it imperative to treat unoccupied France, as well as the unfortunate conquered countries of Europe, as too much under the sway of German demands to be permitted to import vital supplies through the blockade. Mr Jan Masaryk, speaking on behalf of Czechs everywhere, has "put himself on record" as supporting this stern decision. The fact that a cargo of vitamin concentrates and clothing from the United States is to be allowed to enter unoccupied France indicates no change in Allied policy. This is a special case and was done on humanitarian grounds in response to the personal appeal of President Roosevelt. The argument is that control over the distribution of these goods by the American Red Cross will be sufficiently close to prevent any benefit accruing to the Germans. As total supplies in German Europe will be increased, however, by these imports, it is not at all sure that a disguised advantage will not inevitably be given to the enemy. But supplies restricted to the sick and ailing, and for children, are regarded as coming outside the strict bounds of blockade; and it can reasonably be hoped that this act of mercy will not be the thin end of the wedge in the abatement of our economic offensive.

* * *

Plans against Fire

Mr Morrison's appeal for fire-watching and fire-fighting parties in business and residential districts has received a satisfactory response. Individual offers of service have been numerous, and blocks of flats, hotels, and neighbouring houses have established their own patrols. The real problem is one of organisation and enforcement. There are plenty of people willing to help now that the recent German raids have shown the increasingly grave menace of destruction by fire; but, to take just one example, the long-standing Order for the compulsory clearance of inflammable material from lofts and attics is still more honoured in the breach than in the observance. It is hard to escape the view that this new force of amateurs will only meet the grave need it is intended to satisfy if its members can be put under some definite obligation to persevere with their work. Mr Morrison spoke menacingly of compulsion. Fire patrollers cannot very well be treated differently in their terms of service from unpaid wardens and other part-time personnel. They are not forced to join up, and when they have enlisted their only obligation is the contractual one of giving notice before they leave. Most of the recruits, being recruits, are willing; and in any case, it is scarcely possible to command the services of volunteers, while those who do not volunteer go scot free. Moreover, part-time workers do owe allegiance to their employers, their business, their work and their families. But when the familiar sense of boredom and frustration enters in, there is plainly the danger, in the slovenliness, irregular attendance and resignation. That is why it is all-important that the new unbound service of fire-watching should be efficiently planned, so that in a useful way; and a central Fire Prevention Executive, under the Postmaster-General, has been set up to ensure effective measures of fire protection. The A.R.P. services have done extremely well under fire. If occasion arises the Home Guard will do

the same. So probably will the fire patrols. But the difficulties and the deficiencies of present voluntary methods in civil defence must from time to time bring up the view that the only effective, reliable and fair way of using the nation's men and women would be to place every citizen under compulsion (as binding as conscription) to do some part-time defence work; to exempt all those plainly excluded for reasons of health or business or exceptionally long hours of work or other ties; and to insist in the first instance upon the services of those who are patently most able and most free to do the work—calling up others as required to fill gaps. It is an anomaly which cannot be argued away that one section of the population (males between 20 and the early thirties) is already compelled to serve in the armed forces, while home defence duties are done on a purely voluntary basis, which, in spite of the undeniably great achievements of the voluntary services, has two consequences: some of the volunteers do their work halfheartedly, and cannot be rebuked; and, secondly, a large part of the population just does nothing whatsoever. It would catch the spirit of the hour and the nation if the Government's already existing powers over persons were to be applied in this way—but it is doubtful whether Mr Morrison meant anything like this when he "threatened" compulsion.

* * *

Shipping—Assistance from America

In recent weeks the rate of shipping losses has shown a timely decline; during the week ended December 28th, for example, British and Allied losses were only 18,208 tons and 19,348 tons respectively. But this lull in sinkings does not mean that the problem has been solved, or even that it is necessarily nearing solution, though defence measures are almost certainly increasing again in potency. It is as urgent as ever; and there are transitory reasons of weather and enemy dispositions which may account for the fall. The need to augment and economise our merchant shipping resources, where capacity has been sharply narrowed by the loss, damage and delay caused by the enemy's attacks, is still the first charge on public policy; and the setting up of a new Ministerial committee as an Import Executive is a welcome step. An effort is now being made in the United States to expand shipbuilding capacity at a faster rate than hitherto. On January 3rd, President Roosevelt announced his Government's decision to build 200 merchant ships of 7,500 tons each, at a cost of between \$300 and \$350 millions, in the new shipyards that are to be provided and that he hoped that deliveries would begin within a year. But the expansion of production in America will take time and we cannot expect many new American ships this year. On the other hand, the existing American merchant fleet is quite substantial. Before the war, United States steam and motor tonnage (excluding lake vessels) was in the neighbourhood of nine million tons, or about one-half as large as Britain's, and America's immediate assistance need not be confined to selling us vessels from this fleet. American ships can help by taking over some part of British trade between overseas countries, thus releasing British vessels for Britain's direct use. Negotiations are already taking place with the United States Maritime Board for the taking over by America of some of the British shipping routes in the Pacific. In view of the keen Anglo-American competition on these routes before the war, this seems a startling change of policy. But there is no satisfactory alternative. The ships are needed for more vital purposes.

* * *

Less Meat and More Arms

The public was warned to expect further reductions in the meat ration, and is not disposed to grumble at the reduction from 1s. 10d. to between 1s. and 1s. 6d., according to weekly supplies. To many the inclusion in the ration of pork, and nearly all the more familiar kinds of offal, such as liver, kidneys, oxtail, sweetbreads and heart, will make more difference than the reduction in the total value allowed, since it was usually possible for those who could afford it to secure enough of these to provide at least one or two substantial meals in the week. Now that the purely practical reason for unrationing pork has ceased to be operative, it is much fairer

that people who can afford this more expensive form of meat should have to forgo a corresponding portion of their beef and mutton ration. It is possible, however, that some of the very expensive offals, as, for example, sheep's kidneys, will prove unsaleable as part of a small ration, and unless their price is very much reduced, they may have once more to be freed. However, the whole matter is, for the moment, largely of academic interest, since in many districts during the last week of the old ration, butchers were scarcely able to secure enough meat to supply even half the full ration at the new rate. If the shortage is likely to be prolonged, everything should be done to secure greater evenness of distribution. If there is not enough to go round at the present ration, the ration will be correspondingly smaller. The butchers have done their best to be fair, but in doing so they incur a certain amount of odium from their customers. As so much of their tangible stock in trade has gone from them, it is hard that they should also be deprived of goodwill.

* * *

Food Control and the Nation

The attention of the Food Minister has been drawn to the share, which has seemed to many people excessive, received by the catering industry of foods, especially meat, which are temporarily in short supply. Lord Woolton, though he pointed out that only 7½ per cent. of the total consumption of meat goes to hotels, restaurants, boarding houses, cafés and canteens, has now consulted the industry with a view to keeping it "in harmony with public opinion." The Minister has formulated further restrictions. Quantitatively, the large portions still being served in expensive eating-places are admittedly insignificant in relation to total consumption. Qualitatively they are not insignificant. By the side of scarcity elsewhere, they constitute a social scandal; and to say that it is only a "little" scandal is shortsighted and unimaginative. Lord Woolton is anxious to leave people free to eat in canteens and other communal places; but this is no reason why "high-class" menus should not be brought into line with the national diet. Meanwhile, in order to stop speculation in a large number of other foods, an order has been issued making it an offence for a manufacturer, wholesaler or retailer to charge more for these goods than he charged on December 2nd. The list covers: coffee, including coffee essence and "coffee and chicory"; cocoa powder; cocoa butter; chocolate sold for use as a beverage; canned and bottled vegetables; canned pork and beans; honey; meat, fish and poultry pastes; meat and other edible extracts; shredded suet; dead poultry (other than turkeys); rice, tapioca and sago; macaroni, spaghetti and vermicelli; biscuits, rusks, and crisp breads; soups, tinned, bottled and powdered; processed (or wrapped) cheese; pickles, sauces and relishes; custard and blancmange powders; table jellies; edible nuts. This order is only to cover the period during which maximum price orders are in preparation. Orders

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

OVER 500 BRANCHES IN
THE UNION OF SOUTH AFRICA
KENYA - TANGANYIKA - UGANDA - NYASALAND
NORTHERN & SOUTHERN RHODESIA - EGYPT
SUDAN - PALESTINE - PORTUGUESE EAST AFRICA
SOUTH-WEST AFRICA - BRITISH WEST AFRICA
BRITISH WEST INDIES - BRITISH GUIANA
GIBRALTAR - MALTA - CYPRUS - MAURITIUS
LONDON - LIVERPOOL - MANCHESTER
AGENCY: NEW YORK

HEAD OFFICE:
54 LOMBARD ST., LONDON, E.C.3

BARCLAYS BANK (CANADA)
MONTREAL & TORONTO

are also to be made almost immediately to fix the maximum prices of syrup, treacle, marmalades, canned and bottled fruits and canned fish. Other foods are also under consideration. The policy of fixing food prices over the whole field of those in general use which are liable to be scarce in the coming straitened months has been accepted. The Minister's hand, as it happened, was forced by the petty speculators who have batted on the nation's food difficulties ever since they started. But there are sound social and economic reasons for fixing these prices, apart from the profiteers, and Lord Woolton may find that more still has to be done. Price-control cannot by itself ensure fair distribution. It only makes fair distribution possible; and the extended use of direct rationing, registration and other means of deliberately eking out supplies will inevitably have to be considered.

* * *

Back to the Directory?

There will be many who will smile when they remember that one of the advantages claimed for the new Vichy regime was that it would at last provide some stability of government. True, there is a constant element in the person of Marshal Pétain, who has final authority where President Lebrun had none. But under his leadership, Vichy has now undergone its seventh transformation in six months. Baudouin has gone and control of affairs is vested in Pétain, assisted by a triumvirate of Admiral Darlan, General Huntziger and Flandin. On the whole, the change appears to be an expression of the Marshal's tenacious hold on the small measure of authority and independence conferred on him by the armistice. Germany was not informed of the changes, Laval has not been reinstated and the offending Ministers—Alibert and Peyrouton—who were largely responsible for Laval's disgrace, remain at their posts. Another sign of independence is the fact that when the Consultative Assembly meets, Alsace and Lorraine will be represented, although Germany has already incorporated parts of these territories into the Reich as a Westmark. The Nazis are silent, but they cannot be pleased at Vichy's manoeuvres, especially as the apparent strengthening of the Government has coincided with the arrival in Vichy of America's new Ambassador, Admiral Leahy. The Admiral is noted in the United States for his opposition to appeasement, both in Europe and the Far East, and in his first official pronouncement on French soil he reminded his hearers of the United States' intention to give Britain all aid in its power. His presence may have a tonic effect on the fearful and discouraged men at Vichy, and it may prove to be a guarantee that if and when Hitler violates the terms of the armistice, the Pétain Government will not merely retire into passivity in Algeria, but actively re-enter the struggle at the side of Britain and the United States.

* * *

Historians and the Invasion

The students and professors of history are seldom hard to press into service in time of war. There has never

been anything like the wholesale conscription of history into the service of the State in this country as has happened so often in Germany, where, long before the Nazis, the test of historicity had tended to be Germanism rather than fact. But some of the ancillary work done by British historians, in pamphlets and books, during the last war, seemed very odd history to readers during the less partial years of peace that followed. So far as can be seen through the spectacles of wartime, the similar publications of this war have up to now treated scholastic integrity much less contemptuously. At any rate there can presumably be no doubt that the authors of the work that the Historical Association now proposes to do on the failures of former enemies to invade these islands will show themselves scholars and gentlemen no less than patriots. Sir Charles Grant Robertson, the Association's president, has sponsored the scheme to provide the Ministry of Information and the British Council with facts about these abortive attempts—the two assaults on Ireland and the foray into Pembroke-shire have been mentioned—and Admiral Sir Herbert Richmond, Master of Downing College, will superintend the work. It is not said that the decision of Napoleon to desist from his invasion plans will be included in the work, and although it is hardly likely that anything at all new or unknown will emerge from these researches, which can have no more relevance to our present peril than the flowers in spring, they should at least show that the attempt which is now threatened is quite different in scale and character from these puny and insignificant forerunners. It would perhaps be otiose to ask the historians to survey the ways and means by which the Romans and our Saxon and Danish ancestors forced their entry on to English soil, though there are precedents worth marking in the Danish invasions. But the landing and march on London of the bastard Duke of Normandy might furnish some interesting, if wholly inapposite, comparisons for contemplating Hitler and his present illegitimate designs.

* * *

Shorter Notes

Shipping losses for the week ended December 29th amounted to three British ships of an aggregate tonnage of 18,208 and four Allied of 19,348 tons. The total tonnage, 37,556, is well below the weekly average for 1940, which excluding Dunkirk losses was 69,666 tons and including Dunkirk 71,911 tons. The provisional figure of total losses for 1940 is 3,522,632 tons, compared with 5,660,000 tons in 1917.

*

By a neat piece of timing, the Japanese were ready with a counter-protest when Sir Robert Craigie came to deliver Britain's protest against the use by German raiders of Japanese flags in the Pacific. Mr. Matsuoka complained of the detention and search of Japanese travellers at Bermuda. It is not reported that the British authorities struck the travellers or compelled them to strip in public, but apparently the Japanese find no difficulty in forgetting Tientsin.

resorted to the creation of secondary industries. This process, carried out in a haphazard way and, inevitably, behind the wall of protective duties and import restrictions, was bound to result in higher industrial prices in terms of agricultural products. This meant, in its turn, a still further deterioration in the standard of living of the agricultural community, which accounts for about 80 per cent. of Roumania's total population.

To this phenomenon, not altogether unfamiliar in the "slump economics" of other countries, must be added two Roumanian evils of a more specific kind. One is the absence of political leadership throughout the country's most critical years. The handful of real statesmen, with a full grasp of the realities, some of them with a true European vision, were unheeded by public opinion and overpowered by reckless, opportunist politicians.

The other evil of the Roumanian State has been its consistently bad record of internal administration. This, too, had its special reasons. Roumania has no permanent Civil Service, the major part of the administrative apparatus being replaced with every new Government. The not unnatural result was that incompetence, deepened by corruption, became a permanent feature.

It is in this atmosphere of economic strain, political strife and administrative failure that extremist currents found a hotbed and could work slowly but relentlessly into the very core of the state. It would be unfair and wrong to put the blame for having failed to stem their advance on any one Roumanian Government or statesman. The extremist elements held two formidable weapons: a strong anti-Semitic policy, always popular in Roumania; and the more or less—or rather more and more—open support from powerful friends, themselves daily growing in strength. Since 1933, the whole Roumanian scene must be viewed against the background of Germany's growing power, coupled with a deliberate and skilful policy of economic expansion. The occupation of Vienna in March, 1938, gave Germany the rail-head of Roumania's communication system, and deprived Roumania of her economic and financial gateway to Western Europe. What happened after this and led up to the bewildering climax of recent weeks is in fresh memory and shows the forces, set in motion long before, concluding their disintegrating action.

The nominal rulers of the "rejuvenated" Roumania should not be looked upon as a homogeneous element, or anything like the Nazis or Italy's Fascists even in their early days of power. They are a motley crowd, composed of the young Iron Guard fanatics, attracted by the myth of the "Legionary State," of some well-intentioned but misguided patriots, who after seeing only the mistakes of the old system now see nothing but the sweeping slogans of the new, and finally—and most dangerous of all for being without illusions—a swarm of political adventurers and other opportunist elements. The country is heading towards economic anarchy. Industrial output is dwindling, commerce nearing standstill, with the cost of living rising rapidly.

The Real Masters

Meanwhile, the real masters of the country, in the guise of military instructors, are watching the situation carefully. They, too, have no illusions, being well aware of the incapacities of the new regime. Nevertheless, it suits their book to allow the situation to drift to a point where they must be asked to take complete control, in order to restore order. In the economic field, this is achieved in two steps. First, official controllers are appointed to all industrial concerns and banks of some importance, with the task of disorganising by obstruction. In the second stage, after this activity has been driven far enough, German interests come forward and offer to buy up the enterprises, mostly Jewish-owned, at their own prices and terms. The alternative is confiscation, imprisonment, or both. It is a scheme well tried and perfected by experience.

The recent trade agreement with Germany constitutes no major development. It is along the lines established in conquered countries; it provides for a higher rate of exchange in favour of the Reichsmark, "compensated" by guaranteed agricultural prices and wide economic collaboration. The figure of 8 million metric tons fixed for oil exports in 1941 appears at first sight rather modest, having in view Germany's requirements and the Roumanian output; but, in reality, it exceeds substantially the quantity that can be dealt with by existing transport facilities.

In this, as in other respects, it is not the letter of

any agreement but the facts of the situation which will determine Germany's economic gains. The only certainty is Roumania's loss; a free hand for German exploitation means complete economic subjugation.

December 20th.

Eire's Agricultural Grievances

[FROM AN IRISH CORRESPONDENT]

It is generally believed that America's neutrality is just as helpful to Britain now as her belligerency could be, precisely because she is disposed to make available her immense industrial resources for the common cause. Eire's neutrality was accompanied by a similar disposition which would have been helpful in the same kind of way, though doubtless not to the same degree. In this case there are no "cash and carry" limits, for we are quite content to be paid by the increase of our sterling balances, which is one of the most convenient ways in which Britain can borrow from the outside world.

About a year ago we introduced compulsory tillage, and compelled our farmers, who were not unwilling, to increase considerably their output of oats, barley, potatoes, and wheat. There seemed an assured market then for oats, most of which are used as feed for live-stock, and for barley, about half of which is similarly used for feed. Last March, oats were about 13s. 6d. per cwt. Last winter, the price of Eire's export eggs was kept down by the British import control well below the price of British and Northern Irish eggs. Consequently, poultry stocks were very much reduced over here, and much of last season's crop of oats was carried over unused. After the new season's crop came in, the price fell to about 8s. per cwt., and the crop is largely unsaleable even at that price. Farmers who specialise in oat production have therefore found themselves financially "let down," and unable to devote themselves wholeheartedly to the business of maintaining and expanding production. Owing to scarcity at home and in Britain, and to the (temporary) low price of feed over here, the margin of profit in egg production is now wide, but unless the tillage campaign is maintained, there will be a scarcity of home grown feed over here next season, and a consequent inability to expand the production of eggs. If Britain wants to derive the maximum advantage for herself from our neutrality, export prices for our produce should be fixed which would give our farmers a sense of security.

The present situation with regard to bacon is ludicrous and quite unintelligible. Britain has lost the major sources of her former bacon supply, and bacon is rigorously rationed to the British consumer. Bacon production constitutes one of the directions in which our agriculture could have been considerably expanded even under war conditions. A quota limit is imposed on our export to Britain which restricts its volume below the amount which would otherwise take place at the prevailing price. Our home market is relatively over-supplied, and our farmers are seriously advised by our Minister of Agriculture not to increase their stocks of pigs.

In the matter of fat cattle a price policy is still persisted in by Great Britain which makes it impossible for us this winter to co-operate in the preservation of home produced sources of beef supply to the extent that we would like. For a number of years before the war, a subsidy of 5s. or 7s. 6d. per cwt., live weight, was payable in respect of all home produced fat cattle

THE WORLD OVERSEAS

Disorder in Roumania

(By a Correspondent)

TO understand the underlying reasons of the territorial dismemberment, politico-economic disruption and social anarchy, truly totalitarian in their completeness, which have marked Roumania's adherence to Germany's "New Order," one must go much farther back than to the immediate events leading up to the present situation.

The real causes must be sought in other deeper-rooted weaknesses of the Roumanian State. Economically, the inherent defect in its structure has been its unsolved—and, within the own means of the country, insoluble—

agricultural problem. Put bluntly, it is a problem of poverty. Neither the redistribution of land through the Agrarian Reform, nor the consolidation of the agricultural debts by the Conversion Act carried out ten years later—incidentally, at the expense of the immobilisation of the better part of the banking system—could do anything but bring momentary relief. They could not remove the fundamental weakness, which is a lack of capital.

When this acute lack began to assume alarming proportions following the world crisis of 1929, Roumania, in company with most primary producing countries,

slaughtered for consumption in Britain. The subsidy payable in respect of fat cattle which had been imported as "stores" from Eire was 2s. 6d. or 5s. per cwt. according to quality, but such cattle had to be at least three months in the United Kingdom before they qualified for the subsidy. The subsidy is now embodied in the ordinary price fixed by the Ministry of Food for cattle, and that normally is about 7s. 6d. per cwt. more than the price of fat cattle ready for slaughter in Eire. On the other hand, Irish stores which have spent three months in the United Kingdom are priced, when they reach the slaughter stage, only 2s. 6d. per cwt. cheaper than British reared animals of the same grade. The effect of this long continued policy is to make it uneconomic for an Irish cattle fattener to keep an animal here for the last three months of its fattening life. It would lose in the price differential the value it would otherwise gain by its increasing weight. Consequently, whereas we used to export 300,000 fat cattle and 300,000 store cattle annually, we now export about 450,000 store cattle and 150,000 fat cattle.

There is plenty of grass and other feed over here, and no bombs—yet. It is to Britain's wartime interest that we should feed and fatten as many cattle as possible this winter, and send them over ready for slaughter during the first four months of 1941. But the price differential makes it unprofitable to feed any fattening cattle at all over here much later than December, 1940. That price policy compels us to unload on Britain cattle requiring three months more feeding, even if our barns are bursting with unused and unsaleable home-grown oats and barley, and your barns are bursting with high-explosive bombs. The three months factor operates at all times throughout the year, but it is particularly important and unfortunate for both countries during the first three months of the year, when cattle must be stalled if they are to continue the fattening process.

December 28th.

[Since this article was written, the Ministry of Food has decided to increase the price paid for fat cattle from Eire by 1d. per lb., which will enable the Irish farmers to resume stall feeding.—EDITOR.]

Food for Greece

[BY A CORRESPONDENT]

TURKEY has volunteered to release food supplies for Greece. This she can well afford, having a record wheat harvest of over 21,000,000 quarters. This is the third good crop in succession, and much above the average for 1933 to 1937, so that Turkey has acquired a large reserve; but exports will only be permitted to Greece. Turkish supplies of other cereals are also large, yields being abundant this season; all are above the average, by the following percentages:—barley 16 per cent., oats 51 per cent., and maize 50 per cent. Furthermore, Greece recently bought 500,000 quarters of Australian wheat.

Though other goods are also on the way, Turkey is obviously the most convenient source of supply for Greece. There is a shortage of maize and wheat in Yugoslavia, and though Bulgaria possesses a moderate surplus, there is a desire to conserve existing stocks pending fresh international developments. On the other hand, Russia, having had a satisfactory harvest, has contracted to send 100,000 tons of wheat (and possibly other grain) to Greece. It should be remembered, too, that Greece is normally self-sufficing in barley and oats.

Turkey, moreover, has not only grain to spare, but also a certain amount of dairy produce, eggs and meat, as well as olive oil, fruit, coffee and a super-abundance of hazel nuts—one of the most nutritive and sustaining of foods. Egypt is another source of supply, though this entails the use of valuable shipping.

While Greece usually imports about a third of its wheat requirements, this year's harvest was above average—although below that of the previous season. Greece also maintains far more pigs per head than, say, Britain, as well as a large number of sheep. With prudence, foresight and a little economy, the country should manage sufficiently well. Petrol is Greece's chief need; but Britain can probably assure adequate supplies.

January 4th.

The New Federal Reserve Index

[FROM OUR NEW YORK CORRESPONDENT]

THE revision of the Federal Reserve Indices of Production has given a sharp reminder of two facts often forgotten—that, in America at any rate, what is called descriptive economics or economic interpretation is predominantly the analysis of statistics, and that actually there is a world of difference between the two. There is an honest reason for this confusion. The statistical series are invariably more comprehensive than the individual's own observations; and, when there is a conflict between the two, the reason is that the evidences observed by the individual are local and limited. The inevitable result is that the observer comes to rely upon the statistics and to rationalise his comments to fit the statistics. The consequence of this result is a habit of mind that makes the commentator forget his reservations except at odd moments, and renders him content to take the indices, not "for what they are worth" but as absolute expressions of value. In month-to-month comparisons, this does little harm; but practices developed in the month-to-month routine are carried over into discussion of longer periods.

The composition of an index of production is a serious undertaking; and this fact, together with the statistical urge for continuity of series, argues against frequent and extensive revisions. The Federal Reserve index of production which appeared in the middle 'twenties was recognised well before the middle 'thirties as having become seriously obsolete, in that it omitted several industries of recent rapid growth in importance. For example, this index included no reference to alcoholic beverages, whose manufacture was limited legally at the time the index was composed; nor to rayon, which had been insignificant in 1923-25. But, because it was the standard index, comparisons of current activity with that, let us say, of 1932 or 1929 continued to rest on it; and estimates or forecasts were based on it.

The present index is a much more satisfactory statement of the economy; and its interpretation permits a clearer understanding of the nature of the past decade than could be gained from conjecture.

The outstanding feature of this decade, especially of the period from about 1932 to the outbreak of war, was the alteration of the relation of durable to non-durable goods. This Correspondence often, in that period, referred to the "consumer goods economy," but was never able to support the comment with much statistical evidence.

OLD FEDERAL RESERVE INDEX (1923-25 = 100)		
	Durable goods	Non-durable goods
1923	102	100
1929	122	117
1932	33	88
1939	95	112
NEW FEDERAL RESERVE INDEX (1935-39 = 100)		
	Durable goods	Non-durable goods
1923	104	72
1929	138	98
1932	41	70
1939	108	108
October, 1940	150	115

Between 1923 and 1929 the old index showed an increase of 20 per cent. in durable goods and 17 per cent. in non-durable goods; that is, the increase, while parallel was slightly more pronounced in durable goods.

BRITISH MALAYA

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

This index formed the basis of a good deal of economic comment, proving that the depression after 1929 was caused by consumer purchase (as evidenced by non-durable goods production) not keeping in step with durable goods production; and many a solemn argument on over-saving rested on data of this type. The new index records that, between these years, both rose by nearly 30 per cent., the rise in consumer goods being a shade the stronger. The greater disparity, of course, comes later, in comparison with 1929. The old and new indices alike show 1939 durable goods production as under 1929; but where the old index showed non-durable goods production in 1939 as about 4 per cent. under 1929, the new index shows it about 16 per cent. over 1929. The disparity is even more marked by comparison with 1923, the earliest year for which both series are available. The old index showed 1939 durable goods production about 7 per cent. lower than in 1923, the new index shows it about 3 per cent. higher. For non-durable goods, the direction is in agreement, but not the extent; the old index shows 1939 non-durable goods production 12 per cent. above 1923, the new index 50 per cent. From the old index one could infer the common non-statistical impression that the emphasis in the economy had been shifting towards non-durable goods. The new index shows that this common impression was more accurate than the official index; but no commentator would have had the temerity to pit his impressions against the index in any emphatic manner.

Changes like those introduced into the index of production always give rise to questions; and one wonders whether or not an equally thorough revision of the unemployment statistics would produce comparable alterations. Many times, in these letters, your Correspondent has laboriously undertaken to "relate" the employment data to the production index. With the appearance of the new index, it appears that this was an effort to relate the unrelated. It was interpretation of statistics masquerading as economic interpretation.

BUSINESS INDICES

1935-39 = 100 for Industrial Production
1923-25 = 100 for all other series

(Unadjusted for seasonal variation)

	Oct., 1939	Sept., 1940	Oct., 1940*
Industrial production (total)	126	129	133
Manufactures (total)	125	130	135
Durable	131	143	154
Non-durable	120	119	120
Minerals	129	124	122
Construction contracts (total) ..	72	98	88
Residential	66	82	78
All other	77	102	96
Factory employment (total) ..	103.6	107.7	...
Durable goods	96.1	105.5	...
Non-durable goods	110.8	109.7	...
Factory payrolls (total) ..	101.6	109.6	...
Durable goods	99.6	113.2	...
Non-durable goods	103.9	105.5	...
Freight car loadings (total) ..	89	86	86
Miscellaneous	97	94	100
Department store sales	99	105	101
Department store stocks	77	72	...

* Preliminary.

The series "unadjusted for seasonal variation" is given, as the idea of adjusting a war boom for seasonal variation seems to belong to the realm of pure statistics.

November 22nd.

Herr von Neurath Admits Failure

[BY A CZECH CORRESPONDENT]

IN an article which all Czech newspapers had to publish on Christmas Eve, Herr von Neurath, the Protector, admitted the complete failure so far of the attempt to win over the Czechs to the principle of Hitler's "New Order" and threatened to abolish the local autonomy left to them. He complained that although every right-thinking Czech should have recognised by now that the political situation in Europe is unalterable, it was impossible to convince the people that German domination alone will bring them prosperity. He also admits the failure of the German-sponsored special organisations

which were created to nazify the country. All these, led by Czechs who claim to be willing to serve the Germans, did nothing, Herr von Neurath alleges, to enamour the Czechs of the Third Reich, except publishing manifestoes and plans; their activities mainly consist in excluding from collaboration ambitious young people who would willingly work for the German ideal.

The Czech authorities, he goes on, are not fulfilling their duty towards Germany. There is still a lack of understanding of the need for food rationing. People do not realise that the Protectorate depends on food imports from the Reich, and the Protector hints at the possibility of a food blockade if the Czechs do not surrender completely. He ends on a conciliatory note, advising the Czechs to feel happy and trust in the German garrisons and Nazi units—a significant concession of the uneasiness felt by the Germans there.

The Nazis are doing their utmost to calm the growing unrest. The transmitting stations of the Protectorate now administer sedatives over the ether. The wireless stations of Prague and Melnik openly admit that the "whispering" propaganda has assumed "ridiculous" proportions, and that people express their distrust in the German regime more frankly every day. "These rumours," state the German-controlled stations, "are circulated by Jews, Freemasons and other slaves of Benes. Do not believe them. They told you the workers would not have their Christmas holidays. They had them, nevertheless." The unrest, however, is increasing, and the whispering campaign is reliably spreading the news from the Czech radio in London. Jokes are even spread about the Nazi pundits, and Hitler's journeys are called the "Diplomatic Winterhilfe."

January 1st.

Australian Labour Conditions

[FROM OUR SYDNEY CORRESPONDENT]

ALTHOUGH the elections have brought no sweeping changes, the new Cabinet is undoubtedly stronger for the formation of a Ministry of Labour. The absence of any Government Department responsible for the direction of labour and working conditions has been noticeable for some time; the disturbance to labour caused by the curtailment of some fields of employment, together with the rapid expansion of war industries, has recently been reflected in a number of strikes. The new Minister for Labour and National Service stated that the work of the Department would be:—

- To deal with questions of general labour policy and manpower priorities.
- To investigate labour supply and demand and its placement.
- To solve problems associated with technical training, and with industrial relations and conditions.

Hitherto a number of different authorities have dealt with problems of this type, and in future the Ministry

KANSALLIS-OSAKE-PANKKI

(NATIONAL JOINT STOCK BANK)
ESTABLISHED 1889

PAID-UP CAPITAL AND FMK
RESERVES - - - 545,000,000
DEPOSITS AND CREDIT
BALANCES December, 1938 4,436,000,000

Head Office: HELSINKI (Helsingfors), FINLAND

Our large network of branches, comprising 208 BRANCHES, ensures prompt and efficient execution of your collections and payment orders.

Telegraphic Address: KANSALLISPANKKI

of Labour and National Service will include within its scope: the Man Power Committee; the National Register Board; the Commonwealth Director of Training and his Advisory Committees; the Director of Labour Supply and Regulations; the Trade Union Advisory Panel.

It is worth noting that the inclusion of the Trades Union Advisory Panel gives Labour interests direct representation in the Ministry of Labour, although the Cabinet remains a United Australian Party-United Country Party administration.

Although the Advisory War Council can act in an advisory capacity only, it has already made a declaration on fundamental matters concerning the labour position. In a statement approved by the Council and issued this week jointly by the Prime Minister and the Leader of the Opposition, it was declared that stoppages in industry hindering the industrial side of Australia's war effort should be prevented by an overhaul of the Australian arbitration system. By introducing improved arbitration machinery to enable grievances to be considered by the Court and settled without delay, Labour would be assured that its rights were receiving just consideration.

It remains to be seen whether means exist of translating recommendations of this kind into effective action. The reduction in the size of the War Cabinet is an important step towards this end, and if it can be done the establishment of the Advisory War Council will greatly strengthen Australia's war organisation.

November 4th.

Algeria Faces Economic Disaster

[BY A CORRESPONDENT]

THE decisions faced by the French colonial possessions are not only of a political nature. The economic fate of these territories is also at stake. The fear of falling under the control of the Axis Powers has created a strong trend towards De Gaulle's cause in the French colonies. If, however, these sympathies have led to only a part of the French colonies openly joining it, it is because the fear of economic disturbances is stronger than the political incentive. On the other hand, the accession of New Caledonia and Oceania—the most important part of which is Tahiti—was decided mainly by economic considerations, for these groups of islands are entirely surrounded by British possessions, and are economically absolutely dependent on Australia and New Zealand.

The economic life of New Caledonia and Oceania is still little developed. On the other hand, the North African possessions of France are heavily handicapped by the present uncertain conditions. Only scanty news on this question is obtainable. Information from Algeria, however, shows the beginning of an economic catastrophe in Northern Africa, which is increased by the adherence to Vichy.

Algeria is facing transport reduced to the extreme; exports almost entirely seized; lack of coal; and unemployment. The colony had already suffered heavily by the war, even before the French collapse. For this country, rich in treasures of the soil, lives on the export of its surplus of soil products; incidentally, this is true for all the other French colonies in Northern Africa.

Algiers and the other ports live by trade. This had already suffered from the beginning of the war; it was decreased further since Italy's entry into the war in June, and has now ceased entirely since the extension of the British blockade to the Empire of Vichy France. Many almond merchants, who had enjoyed a considerable turnover only last year, now find themselves in liquidation. The rest will follow if there is no change in the situation very soon. Either the countries with which they used to trade have ceased to exist, or all the approaches are practically cut off.

The famous vine cultivation of Algeria faces ruin. Lately, when the vine harvest was brought in, last year's harvest was still unsold. Even if transport were possible, it would be useless to send vines to Bordeaux. And France is the only real market. A plan under consideration to ease the problem shows the difficulties in the

broadest light. It provides for using nearly the whole harvest for the production of sugar. This is no easy matter; it would entail the entire reorganisation of the whole system of vine planting, as well as of the entire system of sugar production.

Another difficulty is imports. Hardly any coal can be brought in, and it is necessary, therefore, to exploit some mines which are very far in the interior and have been abandoned as they are nearly exhausted. Transport facilities are in any case very scanty.

Algeria is nowadays just as concerned with the question of unemployment as is France herself. The economic difficulties have led to mass dismissals of labourers and employees by agriculture, industry and trade. Into this labour market crisis have returned the many demobilised soldiers, who are demanding employment after having been torn from their professions to serve their country. In such circumstances, the situation of the European has become especially disagreeable. Of about 7,000,000 inhabitants nearly 1,000,000 are European. Their claims for employment penetrate only with difficulty; they are considered as aliens, and feel uneasy as they have to decide much quicker than the natives whether they are for Vichy or De Gaulle.

December 30th.

Portugal: A Glut of Colonial Produce

[FROM OUR LISBON CORRESPONDENT]

DOUBLE the usual quantity of produce from Portugal's colonial possessions now fills the warehouses of the port of Lisbon. Some 22,000 tons of valuable tropical materials, oilseeds, coffee and cocoa, fibres, are lying here awaiting a buyer; and overseas, in S. Tomé and Príncipe, in Angola and Mozambique, further stocks are mounting up, with no inducement to ship.

Recently, the Ministry of Colonies estimated the value of Lisbon stocks alone at 150,000 contos (£1,500,000) a heavy charge on the financial and mercantile resources of a none too wealthy country. Some few shipments to the U.S.A. there have been, but this is a mere drop in the bucket, and unless England can come to the aid of her oldest ally the outlook is sombre. Portugal fully realises the stern necessity of the British blockade and has never protested against its application. At the same time, remembering her many lost markets, she does feel that the present situation deserves prompt and careful consideration by the authorities in London.

December 16th.

Book Received

The Origin of the Family, Private Property and the State. By F. Engels. Newly translated by A. West. (London) Lawrence and Wishart. 216 pages. 6s. net.

Official Publications

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

First and Second Reports from the Committee of Public Accounts, together with Proceedings of the Committee, Minutes of Evidence, Appendices and Index. 77, 147. 6s. 6d. net.

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

Report from the Committee of Privileges. With the Proceedings of the Committee, Minutes of Evidence and an Appendix. 1s. net.

War Risks Insurance Act, 1939 (Re-Insurance Agreements). Agreement between the British Marine Mutual Insurance Association, Limited, and the Minister of Shipping, for Re-Insurance of British Ships. 2d. net.

Statistical Abstract for the United Kingdom for each of the 15 years 1924 to 1938. Cmd. 6232. 7s. net.

THE BUSINESS WORLD

The Commonwealth Mining Affair

THE tumult and the shouting have died; the captains and the kings have departed—from Winchester House for Westralia House. Still, one is tempted to add, stands the ancient sacrifice—the shareholders of the singularly inaptly named Commonwealth Mining and Finance group of companies. For it can hardly be pretended that to leave the affairs of the group in their present state is satisfactory for any of the parties concerned, least of all for those who invested their money in the group. Recent events have been summarised in the weekly Investment Notes of *The Economist*: here it is sufficient to state that the latest annual reports of the companies concerned afford only confirmatory evidence of the poor financial health of the group; and that the scheme for amalgamating constituents of the group both here and in Australia is of the genus red herring—by itself such a scheme will not increase earning power by one iota. The crux of the matter clearly lies in the reports of Sir William McLintock, as Board of Trade Inspector, on the history and affairs of the group. Shareholders may well feel that the recent general meetings have served the purpose of the board rather than their own. Few will consider that the space of time allowed to them for the digestion of Sir William's detailed reports was adequate. The contrast between the period of months during which the reports were available to the directors and the period of a few days during which shareholders were able to give them careful study is certainly striking. If the directors plead, as they have done, that publication and distribution of the reports was delayed for months, partly because the reports needed detailed study and comment, how much more necessary was an adequate interval to shareholders, with their less intimate knowledge of the group's complicated structure and history.

That, however, is crying over spilt milk. The directors have carried the day at the general meetings. It remains, therefore, for those shareholders who are still dissatisfied with the prospect of a continuance of the present state of affairs to reconsider Sir William McLintock's reports to see whether any further remedy is still possible. From the mass of those reports, certain passages may be selected as the most striking. For example, dealing with Great Boulder Mining and Finance, Ltd., Sir William, after detailing the history of five subsidiaries, says:—

The story begins by Australian Machinery and Investment, a company of which de Bernales is the guiding influence, buying at comparatively negligible cost mines which had been unworked for a number of years. Australian Machinery and Investment spent nothing in exploring and developing the mines with a view to ascertaining their chances of becoming reasonable financial propositions, but mining engineers in the employ of Australian Machinery and Investment collated historical and geological information regarding the properties, details of old mine workings, and second-hand views of past operations, and on that data wrote reports which invariably held out the mines as good ventures. In some cases there are indications that the engineers could not make even superficial examinations of the mines; underground investigation was, of course, precluded by the water-logged state of the workings. The mines were then sold by Australian Machinery and Investment to Mining and Finance at greatly inflated prices, and the profit made by Australian Machinery and Investment on the transaction was not disclosed to the prospective shareholders of Mining and Finance. Mining and Finance issued a prospectus containing the favourable reports of Australian Machinery and Investment's engineers and statistics of past mine outputs, which, if maintained in the future, would no doubt have made the mines very attractive propositions, as in all cases an unusually high average grade of ore was shown. No indication was given as to the period covered by the production records. Favourable reports on the

developments proceeding at the mines were given by de Bernales at successive annual meetings, and it was not until work had been curtailed or abandoned that shareholders were allowed to realise the doubtful nature of their company's assets.

It was disclosed in the prospectuses of Australian Mining and Finance, which was buying the properties from Australian Machinery and Investment, that Mr de Bernales was governing director for life of the latter company, and a holder of 500 shares therein out of 194,780 issued. But it was not disclosed that substantially the whole of the company's shares was held by members of his family, and that he was entitled to two-thirds of any dividend declared by the company. Lest there be any doubt as to Mr de Bernales' interest in Australian Machinery and Investment, it may be worth recalling Sir William McLintock's remarks earlier in his report on Great Boulder Mining and Finance that a statement by Mr de Bernales on the giving of shares and options without monetary consideration "identifies de Bernales completely with Australian Machinery and Investment." This identification of interests is the more significant in view of the repeated references by Sir William to the large vendor's profits made by Australian Machinery and Investment on that company's various share transactions, and his questionings as to the extent to which the actions of Mr de Bernales may have been dictated by a regard for the interests of Australian Machinery and Investment and certain other "family companies" rather than for the interests of the public companies of which he is the managing director.

It may be argued that in the case of a transaction involving unquoted shares, the fixing of a purchase price is a matter of opinion and not fact. But in the case of the assets acquired by Great Boulder Mining and Finance from Associated Northern Blocks (W.A.) these comprised cash (£583) and investments of an approximate market value of £56,886. Practically all of the investments had a free market in London, and could have been purchased on the market for £56,886. Instead, a consideration of £87,500 was given by Great Boulder Mining and Finance, payable in shares. Although stating that it is not immediately apparent why this premium should have been paid, Sir William points to one fact, which was not disclosed in the Great Boulder Mining and Finance prospectus, which he considers may provide the reason. This was the holding by Australian Machinery and Investment of shares of Associated Northern Blocks acquired at a cost of just under 5s. a share. The amount which Associated Northern Blocks had to realise from the sale of its assets, in order to give its shareholders a return of 5s. a share (and thus to recoup the price paid by Australian Machinery and Investment for the shares) was £87,500—the price which was in fact paid by Great Boulder Mining and Finance. No attempt is made by the directors in their comments upon Sir William McLintock's report to rebut this suggestion.

Again, in his reports on Commonwealth Mining and Finance, Ltd., and Beryl Gold Corporation, Ltd., Sir William McLintock declares that in some cases the circumstances are such as to suggest that the investments in companies which are members of the de Bernales group were made chiefly because the other companies urgently required finance rather than that they offered the lending companies satisfactory avenues for investment. And in the case of the Beryl Gold Corporation, Sir William states that the "question must arise whether Beryl Corporation was formed because mine developments justified it or whether it was done to inspire confidence in the minds of Anglo-Australian (another de Bernales company) share and option holders. . . . The latter motive was apparently responsible in some degree for Beryl Corporation's formation."

With such a background (and similarly disturbing extracts could be taken from virtually every page of Sir William's reports) it is not surprising that some shareholders at least are unwilling to support any reorganisation proposals while the present management continues in office. It is true, of course, that Mr de Bernales and his co-directors have issued replies to Sir William's reports. They maintain that Sir William has "jobbed backwards"; that people who invested in the mines were indulging in a speculation, and that because the speculation has failed the whole matter has been considered by Sir William as if it concerned flotations of ordinary industrial concerns; that the particulars given in the prospectus were obtained from an official Western Australian Government source, and that it was not reasonable or practicable to obtain further information; that as the prospectuses did not disclose what the vendors had paid for the properties, subscribers who purchased their holdings on the strength of them must be presumed to have been content to accept the vendor's profits, whatever they were; and finally they plead (the question is, of course, irrelevant to original subscribers) that the subsequent acquisition of more profitable assets has improved the lot of shareholders. The replies, frankly, are not convincing. Did the directors make every reasonable effort to satisfy themselves that the properties had the favourable expectations held out in the prospectuses? Can the charge of reporting "in the spirit of the knowledge of 1940 applied to criticise statements and decisions made in 1934 and 1935" be levelled against Sir William McLintock when, in the case of

Merchison Gold Development, Ltd., Sir William is criticising glowing descriptions of prospects made as late as December, 1936, when shareholders were being urged to exercise their options? Or when he is pointing out that Sir W. R. Campion had to admit, in October, 1939, that dividends received by Commonwealth Mining from Yellowdine had been used for purposes other than the payment of Commonwealth dividends he foreshadowed in October, 1937?

Sir William McLintock had no power to require evidence on oath, and his reports are not judicial findings. Moreover, there is evidence in the reports that Mr de Bernales has been fortified by Counsel's opinion on such nice points as the need for disclosure of certain details as to the interests of the "family companies" in the various flotations. Coupled with the natural disinclination of shareholders to incur further expense in connection with ventures that have turned out disastrously, the temptation to write *finis* to the whole business may well be strong. But it would at least appear to be worth the while of original allottees in the companies who have suffered loss to obtain advice as to whether any action would lie for rescission of contract. Meanwhile, the Committee of the London Stock Exchange may consider that its action of July, 1939, in banning dealings in the shares of all Commonwealth group companies (with the exception of Southern Cross Gold Development, Ltd., in liquidation) finds ample justification in Sir William's reports. And Mr de Bernales's chances of raising further funds in the London capital market must be rated thin indeed.

Finance and Banking

Fall in the Circulation

Although the superabundance of credit which marked the turn of the year has in part disappeared, there has been no lack of loanable resources in the money market during the past week. The return of notes from circulation has fed the banks' cash, the past week's reflux amounting to £5,403,000. The deflation of additional bank cash created during December by the growth in the Bank of England's holding of Government securities, though proceeding at a particularly abrupt pace, is by no means completed. During the past week there was a reduction of £51,830,000 in this item, as compared with the expansion of £75,019,000 which took place in the last three weeks of the calendar year. While the Ways and Means Advances have been repaid, the additional securities acquired to neutralise the influence of the expanding circulation on the volume of bank cash still remain in the Banking Department. The level of bankers' deposits, shown in the latest Bank return at £130,315,000, is thus being maintained at a comparatively high level. As the banks were only called upon to pay £15,000,000 in Treasury deposits this week—£5,000,000 less than the maturities—they have been avid buyers of bills. The market for its part obtained only a 38 per cent. allotment at last week's Treasury bill tender and has thus been a somewhat diffident seller. Its sales have certainly failed to satisfy the banks' potential demand, especially as the usual outside applicants for bills have scarcely participated in recent tenders and have not therefore been able to make their customary sales of bills to the banks.

The Fight for Bills

Although the turn of the year has passed and with it the need for building up bill portfolios in preparation for end-of-year balance sheets, the competition for bills continues at "cut throat" rates. From December 6th the discount market syndicate has increased its tender price for 90-day Treasury bills (which since the beginning of December have been the normal currency) to £99 15s. No attempt is apparently being made to lower the price to the former traditional figure of £99 14s. 11d. even though the profit on turning over bills at the price now being tendered for them is a mere ½d. per £100 or, expressed in terms of annual percentages, rather less than 1/64. As this excessive cutting of rates is being main-

tained after balance-sheet considerations have lost their force, it must be assumed that another and more permanent objective was in view when the policy of "going for the bills," by sacrificing the rate, was launched a few weeks ago. There can be only one such objective, the discouragement and ultimate removal from the competition for Treasury bills of the many non-market houses whose applications have for many years played an important part in the weekly tenders. These "outsiders" are a varied collection of firms and banks. Some of them are houses on the fringe of the discount market (few were, until recently, members of the syndicate), but the most important element is provided by the Colonial, foreign and merchant banks which have sterling resources to employ. The attempt to repel these applicants from the tenders will not have any effect on the semi-official applications for bills made through the Bank of England on behalf of central banks and other authorities in the sterling area. Those applications are independent of the profit motive and must be satisfied.

The week-to-week distribution of Treasury bills issued as between the market, the outsiders and the semi-official applicants varies considerably, especially as the last named category of tenders is far from evenly spread over the year. The average allotment which the discount market syndicate received during 1940 was 38 per cent. which, on the basis of the now customary offer of £65,000,000, would give the market an allotment of about £25,000,000 of bills each week. Of the remaining £40,000,000, it would not be far wrong to assume that on the average the "outsiders" and the tenderers for whom the Bank acts as agents, divide it about equally. If, therefore, the "outsiders" can be effectively discouraged from tendering, the discount market's share in the weekly offering of bills should increase appreciably. As yet the results of this rate cutting have not been particularly striking. Apart from the first week's welcome allocation of 54 per cent. of its applications, the discount market's percentage has ranged between 31 and 38 per cent. For this, however, the specially heavy incidence of semi-official tenders may be responsible. The next few weeks should show whether the discount market will in fact reap an appropriate return from its latest initiative in the fight for bills.

Treasury Deposit Repayment

The past week has witnessed the first net repayment of Treasury deposits since this new form of floating indebtedness was created last July. This is the second week during which maturities of these deposits had to be met, and the £20,000,000 of these was only offset to the extent of £15,000,000 by demands for fresh six-months' deposits from the banks. Assuming, therefore, that none of the deposits maturing during the past week were in fact recalled during their currency for re-investment in War Bonds, there should have been a net repayment of £5,000,000 during this period. Being the really elastic element in the floating debt, it must reflect the seasonal variations in the Exchequer position. During the past week this has been powerfully helped by the incidence of revenue payments which normally occurs in the early days of the calendar year. At the same time there is an element of conscious policy in the past week's net repayment of Treasury deposits. It reflects the intention of the authorities to keep the basis of credit particularly broad at this particular time. Otherwise one would have seen a much more rapid cancellation of Government debt at the Bank of England than has in fact occurred in the first week of January. And the obvious means for repaying Ways and Means Advances and other Government debt held by the Bank would have been a larger call on the banks for Treasury deposits. There will be no maturities of Treasury deposits for the next seven weeks.

Bank Clearings in 1940

There was an increase of £3,376,910,000, or 9.2 per cent., in the total of bills and cheques which passed through the Bankers' Clearing House last year compared with 1939. The total of £40,018,783,000 was slightly exceeded in 1936 and 1937 and by appreciably larger margins prior to 1931, when the totals were swollen by

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
Bankers' Clearing House:					
1940 £ million	11,261	10,559	9,211	8,989	40,019
Change on 1939	+19.5%	+22%	+2.4%	-6.2%	+9.2%
Provincial Clearings:					
1940 £ million	368	351	344	345	1,408
Change on 1939	+11.5%	+15.2%	+11.6%	+5.4%	+10.8%

new issue activity and a Stock Exchange turnover which has not been seen since. The expansion in last year's figures was largely due to the diversion to the clearing of a large number of cheques which formerly passed through other channels. The year's total of provincial clearings shows an increase of £138,259,000, or 10.8 per cent., on 1939. The details of these provincial clearings were discussed in an article last week.

Fairfax and Company

The news that Fairfax and Company had withdrawn from the discount market as from the end of 1940 would in itself call for little comment apart from the inevitable reflections on the dwindling scope for discount business and the need to deflate the existing structure of the market. The firm is among the youngest in the market, having been established in 1925, and the death of Lord Fairfax little more than a year ago had obviously provided the opportunity for furthering the process of concentration in the discount market, an objective which the authorities have for many years past pursued with great persistence. But what gives this particular retirement exceptional interest is the expressed intention of those in control of the firm to continue its bond business while discontinuing the bill discounting activities. If all that is implied by this is that the existing capital and reserves of the firm will continue to be invested in the gilt-edged securities in which they are no doubt already employed, nothing more need be said. The company will in fact become a private family trust and will completely disappear from the market. But there are reasons to believe that the intention is quite other than this and that the firm hopes in its bond operations to have access to the banking facilities which it commanded as a fully fledged member of the discount market. It should be evident that the facility with which a bill

broker or discount house can run a bond position on bank loans that cost at present no more than 1½ per cent. is not altogether unconnected with its claims to liquidity based on a substantial holding of bills and the right to rediscount at the Bank of England. If bill business has of recent years been the bread in the discount market's fare, the jam has undoubtedly been provided by bonds. The case of Fairfax and Company is the first in which an attempt is being made to restrict the diet to jam alone and the course of the experiment will no doubt be watched with the greatest interest.

Canadian Sterling Accounts

An interesting innovation in the control and operation of sterling accounts held here on behalf of Canadian and Newfoundland residents has been announced this week. Its main result is to shift from the Bank of England to the Canadian exchange authorities the onus of sanctioning all payments out of Canadian and Newfoundland sterling accounts. Ever since last July it has been possible for Canadian authorised banks to settle trade debts outside the sterling area by transfers from their sterling accounts without the specific sanction of the Bank of England being required for each such payment. Most of these payments were in fact made to U.S. registered accounts. The same treatment is henceforth to be meted out to other payments, such as financial obligations, insurance premia, etc. The Canadian control's will now be the only necessary authorisation. This development is important, because, by simplifying the procedure under which these sterling accounts are operated, it will encourage the use of sterling in operations where its position might have been usurped by the dollar. Anything which helps to keep alive the memory of sterling as an international currency is welcome.

Money Rates in 1940

The most momentous year in English history has gone completely unnoticed so far as money rates are concerned:—

AVERAGE MONEY RATES

Year	Bank Rate	Market Rate 3 Months' Bills	London Deposit Rate, Banks	Short Loans
	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1929	5 10 0	5 5 4	3 10 0	4 12 3
1930	3 8 5	2 12 3	1 8 5	2 9 6
1931	3 18 7	3 11 0	2 1 0	3 0 10
1932	3 0 2	1 16 9	1 5 2	1 15 7
1933	2 0 0	0 13 10	0 10 0	0 15 5
1934	2 0 0	0 16 7	0 10 0	0 16 10
1935	2 0 0	0 11 3½	0 10 0	0 14 10½
1936	2 0 0	0 11 10½	0 10 0	0 15 6
1937	2 0 0	0 11 0½	0 10 0	0 15 1½
1938	2 0 0	0 12 7	0 10 0	0 1½ 7
1939	2 5 3	1 4 5½	0 13 7½	1 2 2
1940	2 0 0	1 0 10	0 10 0	1 2 3

The table calls for no comment, and is given for purposes of record only.

ROYAL EXCHANGE ASSURANCE

BONUS ANNOUNCEMENT

The Royal Exchange Assurance has declared a Reversionary Bonus on Participating Life Policies at the rate of 11% of the Sum Assured for each full year's premium due and paid in the five years ending on the 31st December, 1940.

The Interim Bonus for Participating Policies becoming claims by death or maturity during the following five years ending on the 31st December, 1945, will be at the rate of 11% of the Sum Assured in respect of each full year's premium due and paid after the 31st December, 1940. It has also been decided to pay in respect of such policies a special additional Interim Bonus at the rate of 10% of the Sum Assured for each full year's premium due and paid in the five years 1936-1940. The Interim Bonus of 11% and the special additional Interim Bonus of 10% are subject to alteration at any time if the Directors of the Corporation consider that such a course is prudent.

In view of the Government's appeal for economy in paper the notification of the Bonus distribution on this occasion is being limited to public announcements in the Press, and the customary individual bonus notices are not being despatched to policy-holders.

The Corporation was a pioneer in offering both Participating and Non-Participating Policies covering War Risk for civilians within the United Kingdom and Eire without extra charge.

Investment

The Funds to the Fore

A favourable background of war news, in which the ultimate capture of Bardia was confidently discounted, provided a cheerful start for the New Year even before the reduction of the fortress was completed. Subscriptions to the new tap issues came forward satisfactorily to the tune of £8,939,500 for the new issue of 2½ per cent. War Bonds and £6,853,700 for 3 per cent. Savings Bonds during the first week in which they were on sale. Leading investment stocks in the gilt-edged market enjoyed substantial gains as a result of the pressure of money-seeking investment after January 1st interest payments and gains would in all probability have been even more substantial had it not been for the continued difficulties of transport and communications which are the legacy of the second Great Fire. Consequently, turnover was on a small scale, and when on Tuesday a revival of daylight alerts restricted dealing time by one hour, further advances in the funds were temporarily checked, although there was no reaction until midweek from the high levels, including a figure of 103½ for 3½ per cent. War Loan, which had been previously reached. With Government payments for requisitioned dollar stocks due from January 14th, there is every prospect that the pressure to invest in gilt-edged will be maintained during the next few weeks. Prices of industrial equities have remained firm on the whole, and the home rail market has enjoyed something like a boom under the influence of forthcoming dividend announcements. In short, the markets have permitted physical difficulties of trading only to induce a pause in the recent buoyant rise in long-dated funds and the movement appears still to contain plenty of vitality.

Recovery Continued

The steady improvement in prices of all classes of shares, which has been in progress since investors recovered from the shock of the French collapse last June, continued up to the very end of 1940. In December, as in November, gilt-edged retained the leadership and after the progress of the last two months, the recovery made by these classes of stocks up to the end of the year continued to be more complete than that made by equities. In the following table, the monthly figures of the *Actuaries' Investment Index* show that the price index of 2½ per cent. Consols for December, 1940 (December 31, 1928=100), reached 136.9, against only 132.0 in February of the same year, before markets were disturbed by the advent of the spring campaign. The price of all classes of industrial equities at 49.5, against 60.6, is still more than 10 points below the level of the early spring. But despite the relatively better demand for the funds during December, the price of all classes of industrials continued its advance from 49.1 to 49.5, at which level it stands nearly 10 points above the low level of 38.9 to which the index of all industrial equities fell in June last.

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928=100)				Yields per cent.		
	Dec. 29, 1939	Feb. 27, 1940	June 25, 1940	Dec. 31, 1940	Dec. 29, 1939	Nov. 26, 1940	Dec. 31, 1940
<i>Fixed Interest</i>							
2½% Consols.....	121.8	132.0	126.2	136.9	3.66	3.31	3.26
Home Corporations (4).....	119.0	128.2	123.0	127.5	5.91	3.66	3.65
Industrial Debentures (44).....	104.6	110.1	103.7	107.0	4.53	4.50	4.44
Industrial Preference (101).....	90.5	97.0	82.3	88.8	4.94	5.19	5.08
<i>Ordinary Shares</i>							
Insurance (10).....	90.7	101.3	66.8	86.1	4.76	4.95	4.74
Aircraft (5).....	56.7	50.1	28.4	50.1	12.37	12.37	11.44
Electric Light and Power (16).....	99.9	110.3	76.9	91.8	5.51	5.74	5.54
Electric Manufacturing (13).....	112.6	123.4	87.0	108.3	5.70	6.08	5.95
Motors (7).....	27.2	28.6	19.4	27.3	7.67	7.42	7.38
Total Productive (90).....	69.7	65.0	40.3	53.1	6.63	6.87	6.62
Shipping (7).....	14.5	15.6	9.9	13.4	3.74	4.11	4.22
Total Distributive (28).....	43.0	45.6	28.7	34.3	5.23	6.48	6.05
Breweries (20).....	101.2	103.4	72.3	88.4	6.53	6.71	6.76
Total Miscellaneous (40).....	63.8	66.7	45.0	67.3	5.75	6.44	6.44
TOTAL INDUSTRIAL (158).....	66.4	60.6	38.9	49.5	6.16	6.69	6.47

During the past month, the yield on 2½ per cent. Consols has been further reduced from 3.31 to 3.26 per cent. and compares with a yield of 3.66 per cent. for December, 1939. Few sections of industry closed the year with yields above those for end-1939, but notable exceptions included coal at 8.82, against 6.0 per cent., cotton, despite the rise of recent weeks, at 3.41 against 2.74 per cent. and iron and steel at 7.36 against 7.14 per cent. The most striking drop in yield is that realised by the building materials section, which has gained notably in market esteem since the intensification of bombing, with a consequent fall in the yield per cent. from 7.26 to 4.99 over the year. At the opening of the dividend season, home rail ordinary shares offer a yield of 9.6 per cent, against 0.34 per cent. in December, 1939.

Chinese Customs

Although it is highly improbable that any direct benefit can accrue to bondholders until the conclusion of the Sino-Japanese War, investors in Chinese securities secured on the revenue of the Chinese Maritime Customs should be encouraged by the satisfactory improvement in the 1940 total. Despite all interruptions to trade during the past year, total revenue rose approximately from Chinese \$331,320,000 to Chinese \$475,740,000, or from £20,017,250 to £28,742,625 at the official rate of exchange of 1s. 2½d. to \$1. No payment has been made during 1940 on the loans secured on customs revenue, which include the 4½ per cent. Gold Loan of 1898; the Boxer indemnity and the 5 per cent. Reorganisation Gold Loan of 1913, which is, however, primarily secured on the revenues of the Salt Administration, the last year in which the service on foreign loans secured on the customs revenue was fully met being 1938. As far as the Chinese Government is concerned, the estimated share of the service on foreign obligations represented by the revenue of ports still in Chinese hands, amounting to \$8,929,413 for 1940, has been duly transferred to the Central Bank of China, where it is held in trust. No transfer has, however, been made on account of the high proportion of revenue accruing to the Japanese authorities in respect of ports now in their occupation. The default is occasioned purely by the political situation in the Far East, and prospects of the resumption of payment depend wholly on the possibility of making suitable terms with the Japanese authorities or of their expulsion by the Chinese Government. As far as the loans secured on the Chinese railways are concerned, the outlook is more complex. It is probable that these sources of revenue have suffered considerably more damage both to installations, rolling stock, and to earning capacity than have Chinese ports, shipping or trade. The latter has certainly displayed considerable resilience.

The Year's Failures

For the eighth year in succession, the number of business failures in the United Kingdom shows a reduction. In 1940, the total declined sharply from 4,648 to 2,983, whereas in the previous year the reduction was only from 5,448 to 4,648. The increased stability of industrial enterprise, which has been growing ever since the trough of the depression of the early 'thirties, has been accentuated by the rising proportion of businesses that during the war have become suppliers to H.M. Government. A parallel movement is shown by *The Economist* profits figures for the past year which will be discussed in detail at a later stage. In brief, total profits of industrial companies are shown to have risen from £376,147,000 to £410,410,000. Rising taxation has, of course, prevented this improvement from being passed on, in the main, to shareholders, and net profits have actually declined from £216,713,000 to £208,223,000. But the variable element in equity holdings owes its *raison d'être* to the risk bearing service which owners perform. The bankruptcy statistics for the past year indicate that industrial risk is reduced to a minimum for the duration and, con-

sequently, the present relative stability of industrial dividends appears to have sound economic justification. Present "prosperity," such as it is, is not a normal boom from which the investor may expect to make good the lean times of former slumps. In the existing state of national emergency, the nation is working for its life. Bankruptcies may be yet further reduced, but net profits as a whole are unlikely to show any upward movement during the war.

Company Notes

Tobacco Company Results

The reduction in the final tax-free dividend for 1939-40 and of the first interim payment for 1940-41 of British and American Tobacco has been somewhat gloomily received by the market. Yet the cut in the total tax-free payment for the past year amounts only to 1.25 per cent., leaving a tax-free dividend for the year to September 30, 1940, of 17.92 per cent. The first interim for the current year amounts to 3.75, against the customary 4.167 per cent., tax free. The total payment for 1939-40 absorbs £4,254,307 against £4,543,029, thus effecting a small reduction in the tax-free rate of dividend. As usual, profits are struck after deduction of tax and all other charges. Thus, the reduction in total net earnings from £5,165,453 to £4,865,442 provides little clue to the trend of total revenue. In the absence of any allocation to contingencies, the total payment of 17.92 per cent., tax free, is narrowly covered by earnings at a rate of 18.03, against 19.3 per cent., tax free; and the carry-forward is increased from £2,274,131 to £2,800,266. Three years' trend of profits is analysed in the following table:—

	Years ended September 30		
	1938	1939	1940
	£	£	£
Profit after tax	5,590,886	5,165,453	4,865,442
Prof. dividends	585,000	585,000	585,000
Ordinary stock (tax free):—			
Earned	5,005,886	4,580,453	4,280,442
Paid	4,739,510	4,543,029	4,254,307
Earned %	21.1	19.3	18.03
Paid %	20	19.17	17.92
To contingencies.....	...	500,000	...
Carry forward	2,736,707	2,274,131	2,800,266

After the initial disappointment at the halving of the final payment, shareholders derived some encouragement from the directors' announcement that the reduction in the first of the 1940-41 interim dividends did not necessarily portend a reduction in the total distribution below that for 1939-40. Clearly, the ability of the company to procure adequate stocks of leaf tobacco as well as the future of the standard rate of tax are the decisive factors. The B.A.T. balance sheet shows that stocks have been increased during the past year from £4,778,302 to £5,143,665, while cash holdings have declined from £5,399,298 to £3,891,920. For the first time for a number of years, total assets declined by some £2 millions to £50,881,637, mainly on account of a reduction in loans to associated companies. At the same time, a Contingencies Reserve of £1,000,000 has been created on the debtor side of the statement. Net fixed assets appreciated by some £2 millions to £35,221,659 on account of a decline in deposits by associated and subsidiary companies. The report of United Tobacco Companies (South) for the year to September 30th shows a reduction in total earnings from £1,170,135 to £1,100,336. The reduction in trading profit after tax from £976,159 to £834,960 is more considerable, but the decline is cushioned by a rise in income from dividends received. Distributions on the company's ordinary and deferred capital to a total of £2,699,995 are cut from 40.35 to 37.5 per cent., free of South African income tax. The balance sheet shows a normal appreciation in debtors and creditors and a welcome rise in stocks from £1,461,948 to £1,919,222. Consequently, cash holdings are rather lower at £507,317 against £686,400. The £1 are rather lower at 88s. 9d. ex dividend, offers ordinary stock of B.A.T., at 88s. 10d. per cent. equivalent to a tax-free yield of 4 0s. 10d. per cent. United Tobacco 10s. 7d. 0s. 7d. per cent., less tax. United Tobacco 10s. ordinary shares at 90s. yield 4 3s. 5d. per cent., free of normal South African income tax.

First Bank and Discount Dividends

The first banking announcements, those of Barclays, Martins and the District Bank, show mixed results. Total earnings for Barclays Bank, at £1,525,666, before addition of £38,145 unappropriated by the Union Bank of Manchester, have fallen to the lowest level of the past decade, not excepting the trough of the depression. Equity earnings at £1,324,921 are higher than the distributable surplus in 1931-32 or 1932-33, but they compare with a figure of £1,549,043 for the previous year. Equity earnings of the District Bank have also been sharply reduced from £398,365 to £347,843, the worst total since 1934-35. On the other hand, Martins Bank has realised a rise in total earnings from £876,025 to £891,029 and in the amount earned for equity capital from £776,025 to £791,029. It is to be expected that the decline over the past year in such profitable sources of bank income as advances, the rise in expenditure on A.R.P. and higher taxation will give rise to generally lower net earnings for 1940. For the present, however, these declines are not being passed on to the public.

	Total Profits	Earned for Equity†		Dividends	
		Amount £	Rate %	Final %	Total %
Barclays Bank ("B" and "C" shares):	£	£			
1939	1,784,880	1,549,042	18.1	7	14
1940	1,525,666	1,324,921	18.5	7	14
Martins Bank (shares):					
1939	876,025	776,025	20.6	7½	15
1940	891,029	791,029	21.9	7½	15
District Bank ("A" and "C" shares):					
1939	490,090	398,365	21.8	9½	18½
1940	446,018	347,843	22.6	9½	18½
Alexanders Discount (ord. shares):					
1939	363,062	160,000	21.4	10	17½
1940	...	...	...	10	17½
National Discount ("B" shares):					
1939	257,108	162,258	41.6	17	26
1940	...	...	...	17	26
Union Discount (stock):					
1939	352,430	259,610	13.9	6½	10
1940	...	...	...	6½	10

† Before bank premises allocation.

‡ Total profits shown after fees.

Preliminary indications of the results of the three discount companies suggest that they have little cause to regret the year 1940. Union Discount pays the same dividend as for 1939, namely, 10 per cent. on net profits, which on the basis of changes in the carry forward appear to have been about £21,000 smaller than the £274,000 earned in 1939. National Discount also repeats the previous year's dividends on "A" and "B" shares, but allowing for changes in the carry forward and for the £100,000 allocation to reserves, as compared with £50,000 the previous year, and the net profit for 1940 would seem to have amounted to about £202,000 as compared with £191,000 for 1939. Alexanders again pay 17½ per cent. out of a net profit of some £10,000 lower at about £162,000. The first comment that must be made on these figures is that they must not serve as the basis for generalisations on the experience of the discount market as a whole. It is unlikely that the smaller firms, with their comparatively weaker capital structures and their consequent inability to maintain substantial gilt-edged positions, have done as well as this. From the point of view of money and discount business, the past year has been an exceptionally stable period. The turn on reselling and running bills has seldom departed from the figure of 1/32 per cent., and though the modesty of this figure has to some extent been neutralized by a larger turnover in bills it should be reasonable to assume that the discount side of the business has just about paid for overhead costs. On the bond side the market is now mainly interested into Conversion 2's, into which they were so effectively jockeyed when Conversion 4½'s were called for redemption. With money available against bonds at 1 to 1½ per cent., the new bonds have not provided much margin of profit, but, such as it is, it has been easily earned. Opportunities for successful jobbing in bonds have been fewer than in former years, but the few that have occurred have been duly pressed into service by highly expert dealers which the market musters.

Further Cotton Progress

The full report of the Lancashire Cotton Corporation for the year to October 31, 1940, shows a rise in total profits after tax from £586,582 to £681,595, the best earnings for more than a decade. This highly satis-

factory result has been realised after writing off out of profits all outstanding debts on the continent of Europe. After the usual £155,000 has been placed to depreciation, thus bringing the total of depreciation reserve account to £783,011, and after prior charges have been met, equity earnings are up from £283,932 to £329,390, compared with £5,550 in 1937-38. Thus, the 7½ per cent. dividend on ordinary stock, which is repeated, is covered by earnings at a rate of 28.4 against 22.2 per cent. The company is able to transfer £150,000 to general reserve as in the previous year and to place £100,000 to stock reserve with a reduction in the carry forward only from £249,280 to £203,023. The following table analyses the improvement in earnings since the setback of 1937-38:—

	Years to October 31		
	1938	1939	1940
Trading profit	289,208	557,825	599,241
Total income.....	308,200	586,582	631,595
Fees	3,775	3,775	3,775
Depreciation	155,000	155,000	155,000
Debiture interest	75,000	75,000	75,000
Preference dividend ..	68,875	68,875	68,430
Ordinary stock:—			
<i>Earned</i>	5,550	283,932	329,390
<i>Paid</i>	Nil	124,980	125,647
<i>Earned %</i>	0.3	22.2	28.4
<i>Paid %</i>	Nil	7½	7½
General reserve	...	150,000	250,000*
Carried forward	240,328	249,280	203,023

* Of which £100,000 to Stock Reserve.

The bulk of the company's employment during the past year has come from orders for the equipment of the armed forces and has necessitated an important change over from the manufacture of fine counts to the manufacture of coarse and medium counts. Installation of new machinery is responsible for the rise in the balance sheet valuation of fixed assets by £510,572 to £4,177,384. Wise purchases of cotton early in the industrial year account for a rise in stocks from £919,744 to £1,586,295. These increases have been financed partly by the realisation of investments which stand in the balance sheet at cost—market value shows a small appreciation—at £584,380, against £821,228, and partly by a substantial rise in creditors, including tax provision, from £170,798 to £863,307. For the duration of the war, the company is assured of a considerable income from Government contracts and is, of course, operating under a system of controlled prices and margins. It can, therefore, afford to give special attention to the supply of that portion of the export market which is still open. In his speech, Mr William James Orr, the chairman, made a strong plea for regulation of the industry by some form of trade association after the war to avoid undercutting in foreign markets. While it is fully recognised that some form of central action to eliminate surplus plant will probably be necessary, there is no doubt that the most effective undercutting in foreign trade will come, not from the Lancashire competitors of the Lancashire Cotton Corporation, but from foreign countries. At present, there is an opportunity for the industry to adapt itself to the price levels of foreign markets. There is little possibility that any appreciable

revival in exports can be secured by any system of domestic price fixing. Meanwhile, earning prospects should remain satisfactory during the current year. The company's £1 ordinary stock is quoted at 18s., ex dividend, yielding £8 6s. 8d. per cent.

Turner and Newall Report

As was indicated in the preliminary statement, the Turner and Newall trading profits for the year to September 30, 1940, at £2,136,726 have reached a record high level. The full accounts show that depreciation provision increased from £145,250 to £188,796 and that, as was estimated on the basis of the preliminary figures in *The Economist* of December 28, 1940, equity earnings rose from £849,517 to £904,116, representing a rate of 18.4 against 16.4 per cent., thus amply covering the 15 per cent. ordinary dividend. The directors state that profits for the past year have been estimated on a conservative basis and that provision for the estimated liability of the whole group for Excess Profits Tax has been made in the accounts. The company and its main subsidiaries are, of course, now controlled undertakings under the terms of the Defence Regulations. The following table shows the improvement in the profit position which has taken place over the past three years:—

	Years to September 30		
	1938	1939	1940
Trading profits*	1,650,386	1,727,453	2,186,726
Depreciation	180,603	145,250	188,796
Fees	3,250	2,762	2,750
Taxation	238,749	618,826	929,966
Staff funds.....	10,000	10,000	10,000
Preference dividend..	101,098	101,098	101,098
Ordinary stock:—			
<i>Earned</i>	1,166,596	849,517	904,116
<i>Paid</i>	1,065,756	799,364	799,364
<i>Earned (%)</i>	22.6	16.4	18.4
<i>Paid (%)</i>	20	15	15
To reserve.....	100,000	100,000	100,000
Carried forward	116,610	66,768	71,515

* After charging mines amortisation.

The consolidated balance sheet indicates that the group is working to capacity. Total stocks have risen from £2,361,258 to £3,286,863. Debtors are up from £1,888,176 to £2,146,299 and creditors from £2,669,795 to £3,534,995. After depreciation, the total fixed assets of the group are reduced from £6,307,092 to £5,964,377, against which special and general reserves amount to £2,600,000. The company's balance sheet shows the acquisition of £500,000 2½ per cent. National War Bonds and a consequent decrease in cash holdings from £2,002,466 to £1,512,300. In his speech circulated with the report, Sir Samuel Turner, the chairman, states that although the company's mines in Rhodesia and Swaziland were operating to capacity throughout the year under review, but that the closing of European markets after the collapse of France has necessitated a slowing down of production in these areas. Future prosperity of the group undoubtedly depends on the success which attends the efforts of the management to replace those lost markets by exploiting demand in the Empire and the United States. The company's £1 ordinary stock at 67s. 6d. ex dividend yields £4 8s. 10d. per cent.

THE STOCK EXCHANGES

London

Note: All dealings are for cash.

MARKETS in all sections provided a cheerful opening to the New Year, although once again demand was concentrated on high-class investment issues in the gilt-edged market. Both before and after the week-end, difficulties of communications held down the volume of business, and on Tuesday turnover was still further reduced by the number of daylight alerts. Subscriptions for the new tap issues made a good start, and sentiment generally was encouraged by news of the fall of Bardia to the British forces in the Western desert, a development which provided especial interest for the oil market. The week has been character-

ised by a steady improvement in the demand for home rails.

Apart from the general encouragement provided by news of the past week's military successes, a number of technical features combined to stimulate interest in the gilt-edged market, among which were the January 1st interest payments and the prospect of payment in mid-January for the latest batch of requisitioned dollar stocks. Irredeemable issues attracted most attention, and 8½ per cent. War Loan rose almost daily to new high levels since 1938, reaching 103½ on Monday after a gain of ½. Two and a-half per cent. Consols were also well supported, but 4 per cent. Funding lost ½ before the week-end. In the foreign bond market, French railways returned to favour, and

the Belgian 4 per cent. issue of 1936 improved 3½ points on Monday, followed by a further gain of 4 points the next day. Chinese bonds were consistently in demand, and support was once more forthcoming for Egyptian Unified.

In the Home rail market, the prospect of approaching dividend announcements raised interest to the highest level for some weeks. Before the week-end, buying was concentrated on the senior issues and resulted in a long list of gains in the order of ½ point. After the week-end, ordinary stocks also returned to favour. Great Western ordinary gained ½ followed by 1 point on Monday and Tuesday, while on the same days Southern preferred put on ½ followed by 1 point. Among foreign rails bargain

hunting continued in Argentine issues and the easier tendency of Canadian Pacific ordinary before the week-end gave place to renewed buying on Monday.

The market in industrial shares continued to show a certain restraint, and few important gains were realised. Coal, iron and steel shares have attracted a regular but small demand, and minor gains were recorded by Vickers, Hadfields, Thornycroft and William Cory. Tobacco shares have encouraged little interest. B.A.T. reacted to 87s. 6d. on the reduction in the dividend, but later improved and closed firm. Imps. and Carreras also lost fractionally on the week. In the brewery section, there has been a steady demand for South African Breweries, and Courage, Benskins and Guinness all improved. Among miscellaneous industrial leaders, Turner and Newall rose on the improved results, and London Brick attracted considerable attention.

In the Kaffir market, the recent subdued tone continued, only a small amount of buying being in evidence in which Western Reefs and West Wits have attracted attention. West Africans remained exceptionally quiet. Among copper shares, Rhokana regained the ground lost last week. The oil market was well supported, following the inspiring news from the Middle East. Shell and Anglo-Iranian both gained ground, and Mexican Eagles improved fractionally. In the rubber market business remained virtually at a standstill.

"FINANCIAL NEWS" INDICES

1941	Approx. Total Bargains in S.E. List	Corres. Day 1940	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Jan. 2 ..	2,223	4,744	70.3	126.1
" 3 ..	1,745	4,614	70.4	126.3
" 6 ..	2,348	5,603	70.5	126.5
" 7 ..	1,320	5,015	70.5	126.7
" 8 ..	2,385	4,690	70.6	126.7

* July 1, 1935=100. † 1938=100. 30 Ordinary shares 1941: highest, 70.5 (Jan. 7); lowest, 70.3 (Jan. 2). 20 Fixed Int., 1941: highest, 126.7 (Jan. 7); lowest, 126.1 (Jan. 2).

New York

THE New Year opened quietly on Wall Street with a steady trend and quiet trading, which later gave way on account of political fears and reacted with the loss of the few earlier fractional gains, steels losing up to one point. The expectation of record business returns, the ready absorption of blocks of British-owned stocks and the impressive war news from the Middle East appear to have had little effect in encouraging a dull market.

In midweek, the budget news caused business to fall away still further, although interest in commodities was maintained. Steel mill activity, estimated by the Iron Age, was at 97.5 per cent. of capacity last week, against 97 per cent. in the previous week.

STANDARD STATISTICS INDICES

(1926 = 100)

WEEKLY AVERAGES

	1940		Dec. 18, 1940	Dec. 24, 1940	Dec. 31, 1940
	Low June 5	High Jan. 8			
347 Industrials	80.9	111.4	93.3	93.1	94.4
32 Rails	20.7a	30.7	20.0	25.8	26.9
40 Utilities ..	71.2a	89.4	77.7	77.0	78.0
419 Stocks ..	69.0	94.8	79.60	79.60	80.9
Av. yield* ..	6.61%	4.30%	6.31%	6.36%	6.26%
	High	Low			

* 80 Common Stocks. † May 22nd.

DAILY AVERAGE 50 COMMON STOCKS

Dec. 26	Dec. 27	Dec. 28	Dec. 30	Dec. 31	Jan. 1
101-60	102-00	102-50	103-30	103-30	Closed
1940 High: 123.7, January 3rd. Low: 86.7, June 10th.					

New York Prices

Total share dealings:—Dec. 30, 1,180,000; Dec. 31, 1,070,000; Jan. 2, 530,000; Jan. 3, 510,000; Jan. 4, 880,000; Jan. 6, 720,000; Jan. 7, 530,000.

	Close Close			Close Close	
	Dec. Jan.	Dec. Jan.		Dec. Jan.	Dec. Jan.
1. Railroads	31, 7	1940 1941		1940 1941	
Balt. & Ohio...	33	32	Celanese of A.	27	27
Git. Nthn. Pl.	26	25	Chrysler.....	73	70
Illinois Cent....	63	7	Curt. Wr. "A"	28	28
N.Y. Cent.	14	13	Eastman Kdk	138	140
Northern Pac. 6	6	6	Gen. Elec.....	32	34
Pennsyl. El. ...	22	22	Gen. Motors ...	48	48
Southern	12	12	Inland Steel...	89	89
			Int. Harvest...	49	52
2. Utilities, etc.	167	167	Int. Nickel ...	24	24
Amer. Tel. ...	167	167	Liggett, Myers	97	96
Amer. W. Wks.	6	6	Nat. Dairy ...	13	14
Pac. Light.....	36	39	Nat. Distillers	22	23
Pub. Sv. N.J.	28	29	Nat. Steel	65	67
Sthn. Cal. Ed.	26	27	Proct. Gamble	56	57
United Gas ...	9	10	Sears Roebuck	78	77
			Shell Union ...	11	11
3. Commercial and Industrial			Socomy Vac. ...	8	9
Amer. Metal...	18	18	Stan. Oil N.J.	34	34
Am. Roll. Ml.	15	15	20th Cen. Fox	6	7
Am. Smelting	42	43	West'hee El....	104	102
Anaconda	26	26	Woolworth ...	32	34
Briggs	25	24	Yngstn. Sheet	40	40

Capital Issues

Week ending January 11, 1941	Nominal Capital	Conversions	New Money
To the Public	Nil	Nil	Nil
To Shareholders ..	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	19,004	...	19,004
Nat. Savings Certs.†	(c) 436,056	...	(c) 436,056
3% Defence Bonds†	(c) 3,119,015	...	(c) 3,119,015
2½% Nat. War Bonds†	11,834,278	...	11,834,278
† Week to December 31st, 1940. ‡ Week to December 31st, making total since June 25th, £410,856,534. (c) Total sales to December 31st, 1940, £2,02,725,980. (c) £1,550,000 deducted for repayment in December, 1940.			

Year	Including Conversions	Excluding Conversions
1941 (New Basis)	15,408,353	15,408,353
1940 (New Basis)	4,881,393	4,881,393
1941 (Old Basis)	15,389,349	15,389,349
1940 (Old Basis)	4,532,800	4,532,800

Destination (Conversions Excluded)

Year	U.K.	Brit. Emp. ex U.K.	Foreign Countries
'41 (New Basis)	15,389,349	10,004	Nil
'40 (New Basis)	4,881,393	Nil	Nil
'41 (Old Basis)	15,389,349	Nil	Nil
'40 (Old Basis)	4,532,800	Nil	Nil

Nature of Borrowing (Conv. Excld.)

Year	Deb.	Prof.	Ord.
'41 (New Basis)	15,389,349	8,541	10,463
'40 (New Basis)	4,631,750	Nil	249,643
'41 (Old Basis)	15,389,349	Nil	Nil
'40 (Old Basis)	4,475,000	Nil	107,800
"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.—Following the trend of generally improved results for rubber companies last year, BRITISH RUBBER ESTATES OF JAVA earned a satisfactory increase in gross profits from £21,711 to £74,133 and in net profits from only £41 to £21,883. A 3 per cent. dividend is paid against nil. R. A. LISTER is repeating the 16 per cent. ordinary payment. Total earnings improved from £119,133 to £139,393, but net earnings suffered a setback from £122,591 to £97,077. With an increase in both gross and net income, the latter from £16,101 to £20,013, DICTOGRAPH TELEPHONES is able to raise the dividend from 7 to 7½ per cent. HOULDER LINE is maintaining the 7½ per cent. dividend. Net profits increased from £23,505 to £48,281, despite a moderate decline in total earnings from £213,975 to £206,906.

A REPLY TO HITLER

THE TIMES recently declared:

"There is no formula, no specific, for the abolition of unemployment."

Can this be true?

Must Britain for ever be burdened with what has been described as one of the "Twin Scourges"?

Emphatically NO

There does exist a very definite formula for the abolition of unemployment as well as for the elimination of the much-feared post-war slump.

A momentous pronouncement on these two vital problems will be published in the next issue (Wednesday, Jan. 15) of

CAVALCADE

The British News-Magazine

It should be read by everyone who has a stake in the nation's welfare. This is no journalistic "stunt." It is a revolutionary but practical thesis that may profoundly affect the course of the war—and the peace. It demands the attention of economists and thinking people of all classes.

Here is Britain's real answer to Hitler's "new order." By putting its economic house in order, Britain can solve its problems and set an example to the whole world. It is your duty to study these proposals.

An order for CAVALCADE must be placed with a newsagent. There are no casual sales.

Industry and Trade

Fall in Unemployment

The reduction in unemployment between November 11th and December 9th was more marked than in preceding months. The total number of persons registered at the employment exchanges in Great Britain on December 9th was 703,000, a reduction of 86,000 from the figure for November 11th. The decline was not due to seasonal influences, for our index of unemployment (given on page 55) which takes account of these factors fell from 38.8 (1935=100) on November 11th to 35.3 on December 9th. Again, the number of wholly unemployed which had remained virtually unchanged since June, has now at last fallen below the 600,000 mark; the figure fell from 603,000 on November 11th to 542,000 on December 9th. The number of wholly unemployed men, moreover, was only 248,000 on December 9th, against 286,000 on November 11th. There was also a decline in the number of wholly unemployed women, from 255,000 to 244,000. With the exception of the South Western and the Midlands divisions, every district registered a reduction in unemployment; in London, for example, there were 31,595 fewer unemployed on December 9th than on November 11th. The fall in unemployment last month is encouraging, for the spectacle of a large army of unemployed in present conditions had become intolerable. But the unemployment returns are no longer an indication of the progress in our war effort which depends increasingly on the rate of transfer of workers from less essential to vital occupations.

* * *

Retail Sales in November

The retail trade returns for November, published in this week's *Board of Trade Journal*, bear evidence of a contraction in sales. The percentage changes in the average daily value of sales of food and other merchandise between August-November, 1939, and the corresponding period last year is shown below:—

	Percentage Change from 1939	
	Food and Perishables	Other Merchandise
1940, August	+ 5.4	+21.0
September	-11.5	+ 6.7
October	- 5.2	+20.9
November	- 0.3	+ 1.3

While the average daily value of food sales has been below the previous year's level in September-November, 1940, in spite of the rise in prices, the turnover in other merchandise has continued in excess of the 1939 figures. In October, the value of non-food sales was as much as

BANK OF LONDON & SOUTH AMERICA LIMITED

Affords a complete international banking service through its branches in

ARGENTINA, URUGUAY, PARAGUAY
CHILE, COLOMBIA, ECUADOR
GUATEMALA, NICARAGUA, PERU
SALVADOR, VENEZUELA, BRAZIL
SPAIN, PORTUGAL

Head Office:

6, 7 and 8 TOKENHOUSE YARD, LONDON, E.C.2

Agencies in: New York, Bradford, Manchester

20.9 per cent. above the previous year's level; but the sharp drop in November confirms the impression that the spurt in the previous month was due to the anxiety of consumers to forestall the purchase tax which came into force on October 21st. Another feature of the latest returns is the sharp decline in stocks of non-food merchandise; at the end of October their value (at cost) was still 14.6 per cent. higher than a year earlier, but at the end of November it was actually 0.2 per cent. smaller than twelve months previously. In part, the reduction was no doubt due to the fact that November was the last month of the quota period under the Limitation of Supplies (Miscellaneous) Order. The heavy stocks accumulated by the shops which allowed us to maintain our purchases at a comparatively high level last year have now been substantially reduced; we must now bring our purchases into line with current production.

* * *

Co-operative Trade

During the nine months ended October 12, 1940, the sales of the Co-operative Wholesale Society amounted to £105,785,876. Sales of grocery and provisions alone amounted to £75,715,597, and of these £1,924,691 was for the export and contracts department and £2,996,716 for the Ministry of Food. The increase of 15 per cent. (£13,807,070) from the corresponding period of 1939 was entirely due to the rise in prices. The output of the Society's various productive works in the first 39 weeks of 1940 was £33,741,577, an increase of 7 per cent. The registrations for rationed commodities at the retail co-operative stores are 13,291,820, or 29 per cent. of the civil population, for sugar; 11,713,388, or 26 per cent., for butter and margarine; and 10,714,170, or 24 per cent. of the civil population, for bacon and ham. Higher prices and lessened output are the feature in all the productive works of the C.W.S. At the nine flour mills output was 10 per cent. less by weight, while the value only dropped by 4 per cent. to £5,998,033. The boot and shoe output of 3,552,842 pairs was 14 per cent. less than in the corresponding period of 1939, but the value advanced 11 per cent. Margarine output rose 19 per cent. in value, but decreased 4 per cent. in quantity. There was a similar decline in the output of soap, but values increased by 11 per cent. The deposits and withdrawals in the C.W.S. bank for the same 39 weeks were a record—£703,812,202.

* * *

Economy in Lubricants

Lubricating oils are perhaps the most indispensable of all petroleum products, for without their aid the wheels of industry and commerce would, quite literally, cease to turn. Although over half a million tons of mineral lubricants are used in this country every year, it is only in the economic sense that this oil can be said to be consumed. What happens, for example, in the case of an internal combustion engine is that the lubricating oil becomes so contaminated with particles of carbon and other abrasives, with acid products, water and motor fuel, that, although not used up, it is no longer capable of discharging its proper function and must consequently be discarded. But would it not be possible to purify the oil and use it again? Though the question is not a new one, it assumes an enhanced significance in time of war, and there is no doubt that it may now be answered with a qualified affirmative. Several British and American firms have, in fact, produced devices for this purpose. The simplest and cheapest consist essentially of a filtering mechanism, the main function of which is to remove solid impurities from the lubricating oil. They are intended to be connected directly to the lubricating system of a car and to keep the oil and the engine clean. Recent tests leave no doubt that it is possible by this means not only to economise oil but also to effect a very substantial reduction in engine wear. An example of the economies which may thus be achieved in practice was recently given in a paper read to the Institution of Automobile Engineers. Replies to a questionnaire sent by the author to operators of over

33,000 road vehicles of various types showed that vehicles without an efficient system of filtration had to have their oil changed every 1,405 miles, on the average, whereas units with such devices were able to cover 4,820 miles between changes. There are also more expensive devices which will not only remove carbon, asphalt, ash, and other impurities from sump oil, but which will neutralise acidity and dispose of moisture and fuel dilution at the same time. While it may not be possible to use lubricating oil indefinitely, the Germans have shown what can be done in this direction. And in view of the need for economising imported products, the reclamation of lubricating oil should be encouraged, especially in the case of large consumers.

* * *

Cotton and Wool Prices

The comparative movements of the prices of wool and cotton since the beginning of the war is illustrated by the figures in the accompanying table. The indices of wool prices are taken from *The Weekly Wool Chart* and those of cotton from Mr Frederick W. Tattersall's *Cotton Trade Review*; all are based on August, 1939 = 100, though the wool figures are monthly averages and the cotton ones end-of-the-month quotations.

		Wool			American Cotton		
		Wool	Tops	Yarns	Raw	Yarn	Cloth
1939	September	100	100	113	123	138	135
	October	111	110	128	116	134	129
	November	121	121	138	137	149	138
	December	121	121	145	158	170	149
1940	January	121	121	162	151	158	139
	February	121	121	167	146	128	144
	March	163	163	177	140	146	150
	April	163	163	178	147	154	159
	May	163	163	178	135	146	154
	June	163	163	179	138	146	150
	July	163	163	179	145	145	150
	August	163	163	170	150	151	150
	September	163	163	167	161	161	150
	October	163	163	173	150	152	146
	November	169	173	175	153	161	147

The price at which the Government will buy raw wool from Australasia was fixed at the outbreak of war, but the prices at which the Wool Control releases wool and tops have been increased by four steps, in October and November, 1939, and March and November, 1940. Woollen yarns have increased more rapidly and more regularly, and reached their peak in June and July when they were 79 per cent. above the pre-war level; although they afterwards fell the upward movement was resumed. Cotton, on the other hand, has not been subject to Government control and the immediate advance was much more marked. It is interesting to note that while raw cotton prices have fluctuated with market influences, their general trend over the period is not greatly dissimilar from the controlled movements of wool.

COMMODITY AND INDUSTRY NEWS

Cotton.—Although the Exchange has not been available, a well attended street market has been held during the past week and in certain quarters a tolerably

encouraging business has been done. Some buyers have only been replacing lost stocks, but fresh demand has been reported in several directions. The recent

advance in raw cotton prices has been maintained. A steady demand has been dealt with in yarns and buyers are pressing. (Continued on page 55)

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended		From Aug. 1 to	
	Dec. 27, 1940	Jan. 3, 1941	Jan. 3, 1939	Jan. 3, 1940
American	3.1	7.5	584	448
Brazilian	2.2	3.2	153	160
Peruvian, etc. ...	0.7	2.6	98	69
Egyptian	0.7	2.3	152	95
Sudan Sakel	0.2	0.2	78	17
East Indian	2.3	1.6	126	123
Other countries...	3.4	12.1	78	144
Total	12.6	29.5	1,269	1,047

Source: Liverpool Cotton Association's Weekly Circular.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Dec. 21, 1940	Dec. 28, 1940	Dec. 28, 1939	Dec. 28, 1940
N. America.....	454	331	9,888	8,168
Argentina, Uruguay...	96	216	9,681	4,391
Australia	...	...	612†	...
Russia	68	81	114	415
Danube and district...	...	...	3,439	182
Other countries...	...	...	328	...
Total	618	628	24,062	13,151

* Unobtainable. † Incomplete. Source: The Corn Trade News.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	Dec. 21, 1940	Dec. 28, 1940	Dec. 28, 1939	Dec. 28, 1940
Argentina	90	71	12,662	6,131
Atlantic America.....	...	...	1,788	2,783
Danube Region.....	...	...	1,237	678
S. & E. Africa	...	...	2,795	1,129†
Indo-China, etc.....	...	...	1,852	91
Total	90	71	19,814	10,812

* Not received. † Incomplete since November 9. Source: The Corn Trade News.

COMPANY MEETINGS

BANK OF MONTREAL

CUSTOMARY STRONG POSITION

REVIEW OF CONDITIONS IN CANADA

The one hundred and twenty-third annual general meeting of the Bank of Montreal was held on December 2nd in Montreal.

Mr Huntly R. Drummond (president of the bank), in the course of his address, said: It is with satisfaction I report that, notwithstanding the unusual times through which we are passing, your bank continues in its customary strong position.

At this time last year business was only just beginning to feel the impact of war conditions. To-day the usual economic indices no longer forecast the ebb and flow of business, because an overriding factor governs them all, namely, the mobilisation and the progressive utilisation of every asset the country possesses for the most intensive prosecution of the war of which this country is capable. We fully recognise the stake which is at issue. We know we are fighting for all we have and are, and our whole national economy is geared to that realisation. Of business generally it is sufficient to say that practically every phase of industrial and commercial activity is reflecting the intensity of our war programme.

In Canada, 1940, upon the whole, has been a year of good crops. What in the final accounting may prove, perhaps, the largest crop of wheat in the history of the Dominion has been safely garnered. It is one of the very best we have ever had in weight and quality.

Among the many changes of the past fifteen months has been the practically complete disappearance of Canada's trade with Continental Europe, but, notwithstanding this, the total of our exports has shown a remarkable increase, largely, of course, through war orders, but partly because we are now trading in markets from which not only Germany but other European nations are excluded. Taking the figures for the twelve months ending September last, the latest available, in comparison with the same period a year earlier, our exports to all countries, excluding gold, have increased by 30 per cent. to \$1,150,000,000, while our imports have risen by 46 per cent. to \$1,005,000,000. Canada's gold production, which in the past twelve months has amounted to approximately \$200,000,000, is not included in these figures and should be added to our favourable balance of trade.

So far as estimates are at present applicable to our expanding programme of production, it appears that the Dominion Government will spend close to \$1,000,000,000 for war purposes alone during the current fiscal year. To this figure must be added non-war expenditures of \$448,000,000, as provided for in the Budget. This formidable total is nearly three times the normal peace-time expenditure.

While at the present time from the business standpoint Canada is on the crest of a wave, with employment higher than in any previous period and industrial output on a rising scale, we must not forget that there will be an aftermath, and it behoves us all, while contributing to the utmost in the prosecution of the war, to keep in mind the adjustments which will later become necessary. Economy in private and public expenditure should be practised to the utmost, and projects not relating to the war effort should be postponed to a time when they will not interfere with that effort and when the employment they afford will be needed.

THE GENERAL MANAGERS' ADDRESS

Mr G. W. Spinney, as joint general manager, speaking on behalf of himself and Mr Jackson Dodds, said, in part: Important changes in the balance-sheet are as follows: Our total assets amount to \$961,300,000, compared with \$1,025,500,000 a year ago. The decrease is represented in the main by a reduction in our investment portfolio, as a result principally of redemptions at maturity of Dominion and Provincial Government securities.

Quick assets total \$663,200,000, or 75 per cent. of all liabilities to the public.

Investments not exceeding market value carried at \$462,000,000 show a reduction in the year of over \$55,000,000.

Current loans and discounts in Canada at \$217,600,000 are \$16,200,000 higher. This increase as at October 31st does not properly indicate the maintained improvement in this department. During the past twelve months the monthly average of our commercial loans has been \$38,000,000 higher than in the corresponding period of the previous financial year. This expansion in our loaning figures comes chiefly under the headings of loans to manufacturers, reflecting the higher levels of business activity, and agricultural loans arising out of the large carry-over of wheat.

Deposits by the public at \$749,800,000 are \$52,000,000 lower than a year ago.

HIGH VOLUME OF INDUSTRIAL PRODUCTION

Business conditions are now, of course, dominated by the demand for war supplies. The volume of industrial production is already higher than ever before and activity is widely spread throughout the country. The output of supplies is due to expand much further, and it is clear that we are rapidly approaching a position in which, by contrast with the past ten years, our principal problem will be the adequacy of the means of production.

A large crop of high-quality wheat was harvested and substantial sums are required to carry the crop until it finds a market. The Dominion Bureau of Statistics estimates the yield of wheat for all Canada at 547,000,000 bushels, which, if realised, will make this the second largest crop on record since wheat growing started in Canada.

The circumstances in which we meet this year do not favour a discussion of the business outlook. Canada's resources are devoted to the single objective of winning the war, and are already engaged on an unprecedented scale. As the bank enters its one hundred and twenty-fourth year of operation we are determined to play our full part in this national effort, and we look forward with confidence to the achievement of victory, which is now the primary and all-important consideration.

The report was unanimously adopted.

THE FINANCIAL NEWS, LIMITED

The forty-third ordinary general meeting of The Financial News, Limited, was held at the offices of the company, 20 Bishopsgate, London, E.C.2, on Tuesday, December 31, 1940.

The chairman, the Rt. Hon. Brendan Bracken, P.C., M.P., said: We meet in a City scarred by Nazi arsonists.

Their senseless bombings have damaged or destroyed some of the loveliest buildings in this old City. In coming to this meeting you have a good opportunity of witnessing the contempt of the people of London for Nazi terrorism. Savagery cannot break their spirit. It increases their sense of duty and their will to victory.

A DIFFICULT YEAR

Our company has weathered the storm and is ready for fouler weather. May I say, without a trace of complaint, that the year through which we have passed was crowded by difficulties. Many members of our staff who were serving in the Territorial Army went off before war began. Others swiftly joined the Armed Forces of the Crown. We could not hope to replace these young men. All we could do was to supplement their sharply reduced incomes. In a complex business such as ours there is no way of quickly training substitutes. Those who are left behind solved our problems by shouldering a heavier burden of work. We are grateful to them.

THE ACCOUNTS

There are no significant changes in our balance-sheet.

The reserve account stands at £100,000, and we propose to carry forward the sizeable sum of £93,231 17s. 6d. If our recommendations for dividends appear to you to be over-modest, please remember the truism that no business has ever been injured by having large reserves.

The report and accounts were adopted.

OROVILLE DREDGING COMPANY, LIMITED

THE COMPANY'S INTERESTS

OPERATIONS CONTINUING SATISFACTORILY

The twenty-ninth ordinary general meeting of Oroville Dredging Company, Limited, was held, on the 7th instant, at Motcombe, Dorset.

Mr F. W. Baker, chairman of the company, said: Turning to the accounts, investments which stood in last year's accounts at £418,340 now stand at £369,778, representing a reduction of £48,562, made up as follows:

£8,309—the book value of Bulolo shares sold during the period.

£35,578—the cost price of debentures in the Golden Queen Mining Company which, by agreement, have been converted into a note and is now shown under the heading of "Loans to Mining Companies."

£4,675—being a payment received from Golden Queen during the period under review.

The loan to Pato Consolidated Gold Dredging, Limited, which stood in last year's balance-sheet at £35,811, has been reduced by repayments to £26,310. Asnazu Gold Dredging, Limited, loan has been increased by £1,378 by further accrued interest and now stands at £42,197. Golden Queen Mining Company stands at £35,578. The total outstanding at September 30, 1940, on loans represents a sum of £104,087.

You will notice from the accounts that we have purchased and hold £25,000 worth of National War Bonds, and cash at bank and in hand now stands at £56,674, as against £48,709 in last year's accounts.

PROFIT AND DIVIDEND

Dividends received from the company's various holdings amounted to £56,557. Profit on shares realised and other credits in the profit and loss account amounted to £22,586. From the total credits of £79,143, after debiting all charges in London amounting to £6,824 and after making provision for income

Continued from page 53

ing for the delivery of coarse counts. There have been indications of rather more activity in medium numbers in both American and Egyptian qualities. Trade in cloth for export has been of a miscellaneous character and useful orders have been secured in printed and dyed fabrics for Java, light bleachers for Egypt and finishing styles for South America. Standard makes have been in demand for the Dominions.

Grains.—The market has been firmer on indications that the Canadian wheat production may be smaller than the official estimate. There are rumours that the damage done by rains may make necessary a revised estimate of the Argentine wheat crop.

Rubber.—The demand for rubber was more active after the holidays, and prices showed a firmer tendency. Malayan shipments in December were 69,565 tons, an increase of 17,000 over the figure for November. Total shipments in 1940, at 773,614 tons, were the highest on record.

Oils and Oilseeds.—Supplies generally are good, and enable substantial allocations to be made to the food and other oil-using industries. The outlook for the future supplies of linseed is satisfactory in view of the very large crop in Argentina, from which the British Control is reported to be contemplating purchases. The Argentine Ministry of Agriculture report the exportable surplus to be 1,862,000 tons, compared with 1,881,000 tons on December 14th and 1,073,000 tons a year ago. In the past twelve months Plate shipments consisted of

and excess profits tax amounting to £28,488, the balance to the credit of profit and loss is £43,831. Adding the balance from the previous year of £150,534 and deducting the dividends paid in December, 1939, and the interim dividend paid in April, 1940, amounting to net £54,687, a balance of £139,678 is carried forward as at September 30, 1940. The directors recommend a final dividend for the year to September 30, 1940, of sixpence per share, less income tax at 7s. 6d. in the £, making, with the interim dividend of sixpence per share, 25 per cent. for the year. A reduction from 31½ per cent. paid in the previous year to 25 per cent. for the period under review: this reduction being entirely due to increased taxation.

Last year I pointed out that war conditions were likely to affect net profits in the future owing to the obligations that would fall upon us resulting from the war, and that we had set aside £14,000 as a provision to cover national defence contribution and excess profits tax, and that this provision only covered a six months' period for excess profits tax. Whereas in this year's accounts a provision of £20,000 has been made to the item of excess profits tax alone, and this amount only covers six months at the higher rate of 100 per cent., no national defence contribution being payable.

SATISFACTORY OPERATIONS

The directors' report gives full information of our interests in Pato Mines (Colombia) Limited, Pato Consolidated, Nechi Consolidated, Asnazu Gold Dredging, Limited, Bulolo Gold Dredging Limited, Australian Deep Leads and Golden Queen Mining Company, with which I am sure shareholders will be well satisfied. The operations of our several interests are continuing very satisfactorily for the current year, particularly at Pato Consolidated, where higher average values per cubic yard show a substantial increase in earnings based upon the results secured for the first six months of the coming financial year, and I am in a position to report that the new hydro-electric plant at Asnazu will be completed by the end of this month, and the new dredge, capable of digging four million cubic yards per annum, will be completed during 1941.

The report was unanimously adopted.

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

	Average Daily Sales			Stocks (at cost) end Nov.
	1940			
	Sept.	Oct.	Nov.	
(a) By Commodities.				
Non-Food Merchandise —	%	%	%	%
Piece-goods	+14.3	+36.3	+9.4	+18.3
Women's wear	+16.4	+26.6	+7.1	+10.5
Men's and boys' wear	+27.7	+27.1	+10.9	+3.4
Boots and shoes	+10.0	+40.0	+20.8	+5.7
Furnishing departments	+0.2	+15.1	+10.9	+14.0
Hardware	+4.4	+1.3	+13.1	+5.1
Fancy Departments	+5.2	+17.2	+4.6	+13.2
Sports and travel	+8.3	+52.9	+17.3	+15.7
Miscellaneous	+0.9	+4.1	Nil	+12.1
Total — Non-Food Merchandise	+6.7	+20.9	+1.3	+0.2
Food & Perishables	+11.5	+5.2	+0.3	+20.3
Total — All Departments	+5.2	+6.8	+0.3	+3.4
(b) By Districts.				
Scotland	+12.1	+23.9	+10.7	+6.6
North-East	+7.1	+15.7	+9.6	+5.6
North-West	+4.3	+17.2	+13.8	+8.7
Midland & S. Wales	+5.6	+15.4	+7.3	+12.6
South England	+9.1	+4.9	+4.5	+13.7
Central & West End London	+20.7	+8.6	+16.4	+5.6
Suburban London	+2.2	+7.7	+17.0	+22.5

Source: Board of Trade Journal.

substantial quantities of Indian ground nuts for early shipment. No trade apparently is passing in Egyptian cottonseed, while other oilseeds also are quiet and prices largely nominal. Arrangements are proceeding apace for the scheme of rationing animal feeding stuffs to come into operation on February 1st.

UNEMPLOYMENT IN GREAT BRITAIN

Date of Return	Registered unemployed aged 14 and over (incl. agriculture)		Of whom wholly unemployed	Percentage of insured persons (aged 16-64) unemployed (incl. agriculture)
	Total			
	Number	Index, adjusted for seasonal variations		
	'000	1935 = 100	'000	%
1939				
Dec. 11 1940	1,362	68.4	1,171	8.7
Jan. 15 1940	1,510	68.8	1,220	9.9
Feb. 12 1940	1,504	69.4	1,141	10.0
Mar. 11 1940	1,121	54.7	966	7.4
Apr. 15 1940	973	48.1	849	6.5
May 20 1940	881	44.3	731	6.8
June 17 1940	767	39.4	648	4.8
July 15 1940	827*	41.0	637	5.2
Aug. 12 1940	799	39.7	613	5.0
Sept. 16 1940	830	41.2	614	...
Oct. 14 1940	835	41.4	635	...
Nov. 11 1940	791	38.8	603	...
Dec. 9 1940	705	35.3	542	...

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

* From July, 1940, excludes unemployed persons attending training centres; their inclusion raises the total in July to 835,000.

Source: Ministry of Labour.

CURRENT STATISTICS

Finance

An analysis of the position of the National Debt on December 31, 1940, appears on page 60.

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				
Dec. 31	760.0	709.9	65.3	1535.2
1940				
Sept. 30	836.0	1921.1	Not available	2136.7
Oct. 30	836.0	1921.1	Not available	2136.7
Nov. 12	836.0	1921.1	Not available	2136.7
Nov. 26	840.0	1145.9	69.0	1995.9
Nov. 28	845.0	1145.9	69.0	1995.9
Nov. 30	845.0	1145.9	69.0	1995.9
Dec. 7	845.0	1238.6	87.5	2060.5
Dec. 14	845.0	1238.6	87.5	2060.5
Dec. 21	845.0	1238.6	87.5	2060.5
Dec. 31	2151.6	186.0	50.5	2388.0

TREASURY BILLS
(£ millions)

Date of Tender	Offered	Applied for	Allocated	Average Rate	Per Cent. Allotted
1940					
Sept. 27	65.0	131.9	65.0	2.0	81
Oct. 4	65.0	122.5	65.0	2.0	42
Oct. 11	65.0	127.0	65.0	2.0	37
Oct. 18	65.0	129.8	65.0	2.0	36
Oct. 25	65.0	135.3	65.0	2.0	30
Nov. 1	65.0	147.3	65.0	2.0	25
Nov. 8	65.0	139.6	65.0	2.0	31
Nov. 15	65.0	140.8	65.0	2.0	32
Nov. 22	65.0	131.8	65.0	2.0	41
Nov. 29	65.0	152.2	65.0	2.0	20
Dec. 6	65.0	140.7	65.0	2.0	54
Dec. 13	65.0	144.0	65.0	2.0	33
Dec. 20	65.0	130.8	65.0	2.0	38
Dec. 27	65.0	143.8	65.0	2.0	31
Jan. 3	65.0	133.3	65.0	2.0	38

On January 3rd applications at £99 15s. per cent. for bills to be paid for on Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 38 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 and Saturday were accepted in full. £65.0 millions of Treasury bills are being offered on January 10th. For the week ending January 11th the banks will be asked for Treasury deposits to the maximum amount of £15.0 millions.

BANK OF ENGLAND
RETURNSJANUARY 8, 1941
ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt...	£
In Circulation	610,452,568	Other Govt. Securities	615,305,866
In Bank Department	19,789,007	Other Secs.	3,580,802
		Silver Coin	8,232
		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

Propos. Capital	£	Govt. Secs.	£
Rest.	3,352,903	Other Secs.	173,002,838
Public Depts.	15,883,384	Discs., etc.	5,522,995
		Securities	21,234,420
Other Depts.	130,315,324	Notes	26,737,415
Bankers	56,246,219	Gold & Silver Coin	801,570
	186,561,543		220,350,830

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

THE WEEK'S CHANGES

Both Departments	Amt. Jan. 8, 1941	Compared with Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	610,453	+ 5,402	+ 74,321
Deposits: Public	15,883	+ 1,685	+ 11,970
Bankers	130,315	+ 50,710	+ 14,506
Others	56,216	+ 3,370	+ 13,745
Total outside liabilities	812,897	+ 54,421	+ 90,692
Capital and rest	17,006	+ 21	+ 48
COMBINED ASSETS			
Govt. debt & securities	799,414	+ 51,713	+ 96,004
Discounts and advances	5,523	+ 73	+ 782
Other securities	24,815	+ 2,512	+ 3,972
Silver coin in issue dept.	8	+ 3	+ 504
Coin and gold bullion	1,043	+ 99	+ 103
RESERVES			
Res. of notes and coin in banking department	20,591	+ 5,304	+ 24,422
"Proportion" (reserve to outside liabilities in Bankg. dept.)	10.1%	+ 4.1%	+ 14.0%

COMPARATIVE ANALYSIS

	1940		1941	
	Jan. 10	Dec. 25	Jan. 1	Jan. 8
Issue Dept.				
Notes in circulation	536.1	616.9	615.9	610.5
Notes in banking department	44.1	13.3	14.4	19.8
Government debt and securities	576.0	626.4	626.3	626.4
Other securities	3.4	3.6	3.7	3.6
Silver coin	0.5	0.0	0.0	0.0
Gold, valued at s. per f. o.	168.00	168.00	168.00	168.00
Deposits:				
Public	27.9	12.5	17.6	15.9
Bankers	115.7	135.7	181.0	180.3
Others	42.5	51.2	62.9	56.2
Total	186.1	199.4	261.5	202.4
Banking Dept. Secs.				
Government	127.4	178.5	224.9	178.0
Discounts, etc.	6.3	4.0	5.6	5.5
Other	25.4	20.5	23.6	21.2
Total	159.1	203.0	254.1	199.7
Banking depart. res.	45.0	14.2	15.8	20.6
"Proportion"	24.1	7.1	6.0	10.1

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

NATIONAL SAVINGS
CERTIFICATES AND 3% AND 2½%
BONDS SUBSCRIPTIONS

Week ended	N.S.C.	3% Def. Bonds	2½% Bonds	3% Sav. Bonds
Nov. 26	6,055	5,331	16,240	...
Dec. 3	4,404	4,343	20,411	...
Dec. 10	4,817	4,929	20,778	...
Dec. 17	3,351	4,548	18,738	...
Dec. 24	3,175	2,567	9,583	...
Jan. 7	1,986	3,119	11,834	...
Total to date	204,143	202,726	452,796†	6,854

* 58 weeks. † 20 weeks. ‡ Including £8,940,000 for the new issue.

Interest free loans received by the Treasury up to January 7th amounted to £1,330, of a total value of £25,673,880. From the beginning of the campaign up to December 31st, principal of Savings Certificates to the amount of £26,822,000 has been repaid.

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Depreciation	Net Profit	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Ord. %	Free Reserves	+ or - In c/t	Total Profit	Net Profit	Ord. %
		£	£	£	£	£	£	%	£	£	£	%	
Breweries													
Ansells Brewery	Sept. 30	834,254	...	392,750	643,677	17,500	350,000	17½	25,000	+	250	17½	
Rubber													
Bajoe Kidoel	Mar. 31	20,255	...	13,060	51,627	...	12,448	5	...	+ 1,512	799,435	453,178	
Brit. R. Est. of Java	June 30	74,133	5,040	21,883	40,754	...	21,570	3	...	+ 313	8,152	5,907	
Financial Land, etc.													
Peel River Land & Mineral	June 30	19,404	...	13,001	28,695	...	12,900	6½	...	+ 41	21,711	41	
Textiles													
Hollins Mill	Nov. 30	67,495	...	67,495	94,242	40,200	12,500	5	...	+ 14,795	17,814	13,654	
Lancs. Cotton Corp.	Oct. 31	631,595	155,000	297,520	547,100	68,430	125,647	7½	150,000	- 46,257	53,689	53,689	
Trusts													
Ashdown Investment	Nov. 30	42,989	...	24,922	32,136	...	18,812	4½	...	+ 0.110	53,689	352,807	
Rio Claro Investment	Nov. 30	161,834	...	69,381	163,559	35,124	31,427	6½	...	+ 2,830	686,582	352,807	
Other Companies													
British American Tobacco	Sept. 30	4,865,442	...	4,865,442	7,139,573	585,000	4,254,307	17½	...	+ 26,135	39,076	24,146	
Duckworth Telephones ...	Aug. 31	33,546	...	20,013	26,482	...	8,625	7½	...	+ 2,830	165,436	78,768	
Dusek Bros.	Oct. 31	76,700	4,458	18,701	32,185	9,652	12,512	12½	...	+ 2,537	5,165,453	5,165,453	
English Clays Lovering, &c.	Sept. 30	258,061	37,557	81,711	122,079	31,876	10,078	7½	7,500	+ 3,888	27,473	16,101	
Houlder Line	Dec. 31	206,006	104,500	48,281	75,692	12,375	23,719	16	...	+ 2,537	76,647	76,647	
Lister (R. A.) & Co.	Sept. 30	139,293	...	97,077	173,038	11,025	66,150	15	10,000	+ 20,757	17,094	17,094	
Lyster (R. A.) & Co.	Sept. 30	2,136,726	188,796	1,005,214	1,071,977	101,098	799,364	16	...	+ 12,187	278,513	89,117	
Turner and Newall	Sept. 30	1,009,956	...	1,088,336	1,521,803	66,500	1,012,498	37½	25,000	- 5,098	213,975	213,975	
United Tobacco (South) ..	Sept. 30	1,009,956	...	1,088,336	1,521,803	66,500	1,012,498	37½	100,000	+ 4,752	119,133	119,133	
Totals (£'000's)	No. of Cos.	10,668	495	8,126	11,765	863	6,782	...	317	+ 64	1,727,453	950,616	
Week to Jan. 11, 1941	16	10,668	495	8,126	11,765	863	6,782	...	317	+ 64	1,320,135	1,320,135	
											10,619	8,677	

† Free of income tax.

(a) Not including share bonus of 1 in 8.

(b) Free of South African Income Tax.

OVERSEAS BANK
RETURNS

NOTE—The latest returns of the Bank of Finland appeared in "The Economist" of Dec. 9th, 1939; Norway, of Apr. 13th, 1940; 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; Latvia, of October 5th; Estonia, of October 26th; Mellie Iran and Turkey, of Nov. 23rd; Lithuania and Roumania, of Nov. 30th; Hungary, Sweden, International Settlements, of Dec. 14th; Argentina, of Dec. 21st; Yugoslavia, Egypt, of Dec. 28th; Prague and Australia, of Jan. 4th, 1941.

U.S. FEDERAL RESERVE BANKS

	Jan. 3, 1940	Jan. 19, 1940	Dec. 27, 1940	Jan. 2, 1941
12 U.S.F.R. BANKS' RESOURCES				
Gov't Certifs. on hand and due from Treas.	15,304	10,661	10,661	19,751
Total reserves	15,304	19,920	19,921	20,036
Total cash reserves	316	248	229	275
Total U.S. Govt. sec.	2,484	2,184	2,184	2,184
Total bills and sec.	2,502	2,196	2,196	2,195
Total resources	10,103	23,251	23,145	23,262
LIABILITIES				
F.R. notes in circ.	4,948	5,884	5,965	5,931
Excess m. bank res.	5,270	6,400	6,440	6,820
Mr. bank reserve dep.	11,721	13,804	13,837	14,028
Gov't deposits	651	570	481	368
Total deposits	13,025	16,077	16,030	16,127
Total liabilities	19,103	23,251	23,146	23,262
Reserve ratio	87.0%	90.7%	90.6%	90.8%
BANKS AND TREASURY RESOURCES				
Monetary gold stock	17,997	21,898	21,930	21,995
Treas. and bk. currency	2,963	3,081	3,082	3,087
LIABILITIES				
Money in circulation	7,581	8,716	8,817	8,733
Treas. cash and dep.	3,018	2,774	2,694	2,680

BANK OF CANADA.—Million Can. \$

	Dec. 13, 1939	Nov. 27, 1939	Dec. 4, 1939	Dec. 11, 1939
ASSETS				
Reserve: Gold	225.7	69.6	83.0	47.4
Other	57.8	69.6	83.0	47.4
Securities	232.4	574.9	580.3	579.8
LIABILITIES				
Note circulation	226.1	333.6	338.1	343.4
Deposits: Dom. Govt.	43.7	77.5	77.2	41.1
Chartered banks	218.4	222.8	233.9	234.4
† Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.				

MONTHLY TABLES

As there is no change in the rates quoted, the usual monthly tables will not be published this month.

Rates Fixed by Bank of England

Official exchange rates fixed by the Bank of England remained unchanged between January 2nd and January 8th. (Figures in brackets are par of exchange.)
U.S. \$ (4.86) 4-021-3½; mail transfers, 4-024-03½. Can. \$ (13.15) 16-85-95. mail transfers, 4-43-47½. Sw. fcs. (25.22) 17-30-40. Sw. kr. (13.15) 16-85-95. Arg. pesos (11.45) 16-00-17-13; mail transfers, 16-00-17-15. Ned. E. Ind. Fl. (12.11) 7-58-82; mail transfers, 7-58-81. Portuguese Esc. (110) 90-80-100-20. transfers, 7-58-84. Bel. Congo Fr. 17-1-3. 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, 1 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 £	Jan. 2, 1941	Jan. 3, 1941	Jan. 4, 1941	Jan. 6, 1941	Jan. 7, 1941	Jan. 8, 1941
Budapest, Pen.	27.82	(d) 155*	(d) 155*	(d) 155*	(d) 155*	(d) 155*	(d) 155*
Belgrade, Din.	276.32	200*(g)	200*(g)	200*(g)	200*(g)	200*(g)	200*(g)
Sofia, Lev	673.66	315*	315*	315*	315*	315*	315*
Helsingfors, Mk	193.23	180-210	180-210	180-210	180-210	180-210	180-210
Alexandria, Pst	97½	971-8	971-8	971-8	971-8	971-8	971-8
Madrid, Pt. . .	25.22½	40.50(b)	40.50(b)	40.50(b)	40.50(b)	40.50(b)	40.50(b)
		46.55(c)	46.55(c)	46.55(c)	46.55(c)	46.55(c)	46.55(c)
Istanbul, £T . .	110	520(b)	520(b)	520(b)	520(b)	520(b)	520(b)
Athens, Dr.	375	515*	515*	515*	515*	(d)	(w)
Bucharest, Lei	813.8	17-8	17-8	17-8	17-8	17-8	17-8
India, Rup.	†18d.	18½	18½	18½	18½	18½	18½
Kobe, Yen.	†24.58d.	131-14½	131-14½	131-14½	131-14½	131-14½	131-14½
Hongkong, \$	†15.89d.	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½
£10, Mil.	40	(d)	(d)	(d)	(d)	(d)	(d)
Valparaiso, Pes.	17.38	(d)	(d)	(d)	(d)	(d)	(d)
Limá, Sol; (c)	†51d.	(d)	(d)	(d)	(d)	(d)	(d)
Montevideo, \$	†28d.	28½-31	28½-31	28½-31	28½-31	28½-31	28½-31
Singapore, \$	†	3½-4	3½-4	3½-4	3½-4	3½-4	3½-4
Shanghai, \$		6½	6½	6½	6½	6½	6½
Bogota, Pes.							

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.

Prices, Year 1939			Prices, Year 1940			Name of Security	Price, Jan. 7, 1941	Ch'ge since Dec. 31, '40	Yield Jan. 7, 1941	Prices, Year 1940		Last Two Dividends	Name of Security	Price, Jan. 7, 1941	Ch'ge since Dec. 31, '40	Yield Jan. 7, 1941	
High	Low	High	Low	High	Low					(a)	(b)						(c)
71½	61	77	68½	British Funds			77½	+½	£ s. d.	26/11½	13/6	15	15	Iron, Coal, &c.—Cont.		£ s. d.	
107½	98	111½	103½	Consols 2½%			110½	...	3 4 6	27/9	13/1½	15	15	Guest Keen & Co. Ord. £1	22/6	...	11 0 0
98½	80½	100½	95½	Do. 4% (alt. 1957)			103½	...	3 12 5½	27/9	13/1½	15	15	Huddell's Ltd. £1	22/6	...	10 0 0
99½	82½	103½	97½	Conv. 2% 1943-45			98½	...	2 2 8	34/6	19/-	12	12	Powell Duffryn £1	12/6½	+3½d	11 0 0
112½	103½	112½	107½	Do. 2½% 1944-49			103	...	2 11 1	54/9	33/9	15	15	S. Duhamel Ord. £1	20/-	+1/3	9 15 0
87½	79½	102½	92	Do. 3% 1948-53			104	+	3 7 8½	47/6	28/-	12½	12½	Staveley Coal &c. £1	42/6	...	6 1 0
93½	87½	98½	92	Do. 3½% after 1961			108	+	2 7 11	24/3	17/6	10½	10½	Stewarts & Lloyds £1	28/1½	...	10 6 0
95½	87½	99½	95	Do. 5% 1944-64			92½	...	3 1 0	21/10½	9/6	6	6	Swan, Hunter £1	22/1½	...	7 5 9
100½	100½	114	105½	Fund. 2½% 1956-61			98	...	2 18 4	...	...	...	...	Un. Steel Cos. Ord. £1	22/-	+6d	6 10 0
94½	84½	102½	95½	Fund. 3% 1959-69			99½	...	3 1 0	8/10½	2/6	NH	NH	Vickers 10/-	15/3	+3d	6 10 0
96½	87½	102½	95½	Fund. 4% 1960-90			114	...	3 10 11	38/6	21/3	5	5	Textiles			
108½	102	105½	100	Nat. D. 2½% 1944-48			101	...	2 18 1	39/10½	20/3	7	7	Brit. Celanese 10/-	3/9	...	6 0 0
98½	88½	101	98	Do. 3% 1954-58			101	...	3 3 9	35/9	21/10½	5	5	Conts. L. & F. £1	2/9	...	6 0 0
87½	73	103½	93½	War Bds. 2½% 1945-47			112½	...	2 8 8	24/4½	11/9	7	7	Courtaulds £1	32/-	+3d	5 9 0
87½	73	103½	93½	Victory Bonds 4%			101	...	2 18 2½	61/3	42/6	10	10	English Swg. Ctn. £1	18/9	...	5 0 0
87½	73	103½	93½	War L. 3½% alt. 1952			103½	...	3 8 0½	43/1½	26/3	10	10	Lancs. Cotton Corp. £1	50/-	+7½d	3 8 0
87½	73	103½	93½	Local Loans 3%			90	+	3 6 8	92/6	6/3	15	15	Patons & Baldwins £1	40/-	...	5 17 0
87½	73	103½	93½	Redemption 3% 1986-96			100½	...	3 4 2	69/-	46/3	10	10	Associated Elec. £1	82/6	...	4 16 0
87½	73	103½	93½	Austria 3% 1933-53			71	+	3 10 5	33/9	11/6	12½	12½	Callenders £1	62/6	...	5 14 0
87½	73	103½	93½	India 2½%			97	+	3 12 2	83/-	52/6	20	20	Crompton Park A 5/-	28/9	...	7 0 0
87½	73	103½	93½	Do. 3½%			111½	...	3 12 3	51/6	32/-	7½	7½	English Electric £1	76/10½	...	6 4 8
87½	73	103½	93½	Do. 4½% 1958-68			105	...	3 12 7	38/3	23/6	5	5	General Electric £1	45/-	...	6 13 8
106½	95	107½	101	Dom. & Col. Govts.			112	...	2 17 3	42/6	20/6	10½	10½	Johnson & Phillips £1	33/9	...	4 14 0
108½	102	112½	105½	Austria 5% 1945-75			108	...	3 17 7	27/-	18/-	3½	3½	Clyde Valley Elec. £1	32/6	...	5 2 0
112½	103	110½	106	Canada 4% 1953-58			105	+	3 17 3	32/6	17/6	1½	1½	County of London £1	23/6	...	5 3 0
103½	92	105½	100	Nigeria 5% 1950-60			107	...	3 2 2	32/6	17/6	1½	1½	Edmundsons £1	28/1½	...	5 6 6
110	102	108½	103	N. Zealand 5% 1946			107	...	3 2 2	32/6	17/6	1½	1½	Gas Light & C. £1	25/1½	+7½d	5 6 6
111½	104	110½	104	S. Africa 5% 1945-75			107	...	3 12 1	42/3	22/-	6	6	Lancashire Elec. £1	28/1½	+7½d	5 9 0
81½	72	85	78	Corporation Stocks			85½	+	3 10 5	38/7½	24/-	5½	5½	North-East Elec. £1	32/6	+1/3	5 16 0
93½	86½	94½	87½	Barham 5% 1946-56			93	...	3 9 4	39/6	24/-	5	5	Northmet Power £1	33/1½	...	5 16 0
102½	95	104	97	Liverpool 3% 1954-64			102	...	3 7 7	17/6	7/6	30	30	Scottish Power £1	33/9	...	4 14 0
				Midx. 3½% 1957-62			84½	+	5 7 0	23/10½	12/6½	6	6	Yoshire Electric £1	13/9	...	5 9 0
				Foreign Governments			32½	...	7 14 0½	16/4½	6/-	6	6	Austin 5/-	10/3	...	9 4 0
				Argen. 4½% Stg. Bds.			14	...	10 14 0½	36/3	17/3	12½	12½	B.S.A. Ord. £1	9/6	...	10 4 0
				Brazil 5% Feb. 1914			33½	+	2	16/9	7/-	11½	11½	Bristol Aero. 10/-	28/9	...	8 14 0
				Chile 6% (1920)			80½	...	4 19 9	18/7½	12/4½	5	5	De Havilland Air. £1	13/-	+3d	7 14 0
				China 5% (1913)			20	...	15 0 0	15/7½	6/-	17½	17½	Falvey Aviation 10/-	16/6	...	7 0 0
				Egypt United 4%			36½	+	15 0 0	60/7½	39/4½	2½	2½	For Motors £1	14/6	...	11 19 0
				Greece 6% Stab. Ln.			60½	+	5 0 0	88/3	28/9	25	25	Hawker Siddeley (5/-)	50/7½	...	6 8 0
				Japan 5½% 1930			45½	+	8 16 3	27/7½	16/9	45	45	Lancaster £1	25/-	+1/3	8 0 0
				Portuguese 3%						4½	2½	5	5	Leyland Motors £1	3½	...	5 5 0
				Spanish 4%						12/3½	6/-	22½	22½	Morris Motors 5/- Ord.	11/6	...	10 17 0
										22/7½	12/3	4	4	Rolls-Royce £1	18/6	...	5 8 0
										23/9	13/6	2	2	Standard Motor 5/-	21/6	...	7 0 0
										20/-	13/-	5	5	Royal Mail Lines £1	17/-	...	5 18 0
										10/9	4/-	NH	NH	Union Castle Ord. £1	8/6	...	5 18 0
														</			

THE BANK OF NOVA SCOTIA

(Incorporated in Canada with Limited Liability)
Established 1832
General Office: Toronto, Canada

Paid Up Capital \$12,000,000
Total Assets over \$300,000,000

Special facilities are available to the public through the Branches of this Bank for the transaction of business with Canada, Newfoundland, Cuba, Puerto Rico, Dominican Republic, Jamaica, and the United States at Boston and New York.

Address enquiries to
London Branch:
108 OLD BROAD STREET, E.C.2
E. C. MACLEOD, Manager

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS £13,300,000
ASSETS EXCEED £72,400,000
CLAIMS PAID EXCEED £125,100,000

The 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

BRANCHES IN ALL PRINCIPAL PARTS OF THE WORLD
London Office: 7 BISHOPSGATE, E.C.2 H. KANO, London Manager

IMPERIAL JAPANESE GOVERNMENT

FIVE AND A HALF PER CENT. CONVERSION LOAN OF 1930

The Imperial Japanese Government announce that the operation of the Sinking Fund for the half-year ended 1st January, 1941, has been carried out by way of purchases on the market, and that BONDS value £162,190 (nominal) were so purchased and are now CANCELLED.
3rd January, 1941.

CITY OF TOKYO

FIVE AND A HALF PER CENT. STERLING LOAN OF 1926.

The City of Tokyo announce that the operation of the Sinking Fund for the half-year ended 31st December, 1940, was carried out by way of purchases on the market, and that BONDS value £63,900 (nominal) were so purchased and are now CANCELLED.
3rd January, 1941.

ECONOMIST BINDING CASES

Attractive binders to hold three months' issues of *The Economist* are still available.

These binders have no wires, clips or metal contrivances so that each issue can be bound in an instant for permanent reference.

Reading Cases to hold two issues, and made on similar lines, are also available.

Both are bound in full cloth (blue) and lettered in gilt.

The price of the Binder is 5s. 6d. post free (Overseas 6s. 6d.) and of the Reading Case 4s. 6d. post free (Overseas 4s. 6d.)

from

THE ECONOMIST

8 BOUVERIE STREET, LONDON, E.C.4

NATIONAL DEBT

(Million £)

	Aug. 1, 1914	Dec. 31, 1919	Mar. 31, 1928	Mar. 31, 1939	Dec. 31, 1939†	Mar. 31, 1940	June 30, 1940†	Sept. 30, 1940†	Dec. 31, 1940†
2½% Consols & Annulities	573	300	300	300	300	300	300	300	300
4% Consols	...	...	401	401	401	401	401	401	401
2½% Conversion Loan	...	...	...	...	...	...	...	...	...
3½% Conversion Loan	...	...	206	206	206	207	207	207	207
3½% Conversion Loan	...	...	302	302	302	302	302	302	302
4½% Conversion Loan	...	...	739	739	739	739	739	739	739
5% Conversion Loan	...	...	353	353	353	350	350	350	350
Terminable Annulities	30	20	323	323	323	323	323	323	323
Debts to Banks	15	15	14	14	14	15	15	15	15
3½% War Stock, 1932	...	...	1,911	1,911	1,911	1,911	1,911	1,911	1,911
Other Great War Issues	3,569	...	...	...	...	...	...	...	...
2½% Funding Loan	...	...	200	200	200	200	200	200	200
3½% Funding Loan	...	...	144	144	142	140	140	140	140
4% Funding Loan	...	...	409	409	409	409	409	409	409
2½% N. Defence Bonds	...	...	100	100	100	100	100	100	100
4% N. Defence Bonds	...	...	81	81	81	81	81	81	81
Treasury Bonds	...	...	300	197	195	195	193	193	193
National Savings Certs.*	20	323	100	100	100	100	100	100	100
3½% Defence Bonds	...	...	207	389	385	400	434	478	515
3½% War Loan	...	...	...	...	22	60	104	154	200
2½% National War Bds.	...	...	...	...	...	90	300	300	300
Other Debt	...	...	...	...	...	43	227	227	227
External Debt†	...	1,357	1,032	1,032	1,032	1,032	1,032	1,032	1,032
Treasury Bills	15	1,107	829	892	1,470	1,428	1,022	1,021	1,021
Temporary Advances	1	243	13	28	65	61	37	92	188
Treas'y Deposits by Bks.	...	...	...	...	...	...	124	885	885
Other Cap. Liabilities	654	8,033	8,026	8,168	8,815	8,882	9,445	10,103	10,008
Total Liabilities*	57	46	123	138	††	162	††	††	††
Total Liabilities*	711	8,079	8,149	8,301	††	9,084	††	††	††

* 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. † Includes American debt. †† Includes National Savings Bonds (about 3½ millions). †† Not available.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1940	+ or —	1940	+ or —
B.A. and Pacific	26	Dec. 28	\$1,402,000	+ 96,000	30,364,000	— 1,692,000
B.A. Gt. Southern	26	28	\$2,185,000	— 388,000	50,817,000	— 2,895,000
B.A. Western	26	28	\$828,000	+ 11,000	17,735,000	— 1,468,000
Canadian Pacific	52	31	\$4,900,000	+ 739,000	170,965,000	+ 19,684,000
Central Argentina ...	26	28	\$1,408,350	— 91,600	30,262,150	— 11,724,800

† Receipts in Argentine pesos. † 10 days.

UNIT TRUST PRICES

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

Name	Jan. 7, 1941	Name	Jan. 7, 1941	Name	Jan. 7, 1941
Seand. Brit. Inv.	18/3 bid	National D. Century	9/6-10/6xd	Key. Gold	8/3-9/6xd
New British	12/-12/6xd	Scottish	11/-12/9	Br. Ind. 4th	10/9-12/3
Invest Tr.	7/6-8/6xd	Univ. 2nd	9/7½-11/1½	Elec. Inds.	12/1½-13/7½xd
Bk. Insur.	13/6-15/6*	Inv. Flex.	11/7½-13/4½	Met. & Min.	10/-11/6
Insurance	13/-15/-xd*	Inv. Gen.	8/9-10/-	Cum. Inv.	13/1½-14/7½
Bank	14/3-16/3	Key. Cons.	12/6-13/6	Producers	5/6-6/6
Set. B.I.I.T.	9/6-11/6		7/10½-9/4½	Dom. 2nd	4/6-5/6
				Orthodox	7/3†

* Free of commission and stamp duty. † Bid and offered.

TERMS OF SUBSCRIPTION TO THE ECONOMIST

12 Months - - - - £ s. d.
6 Months - - - - 3 0 0
1 10 0

Cheques to be made payable to The Economist Newspaper Ltd.

PUBLISHING OFFICE:

8 BOUVERIE STREET, LONDON, E.C.4

Telephone: Central 8631

THE ECONOMIST

Vol. CXL

JANUARY 18, 1941

No. 5082

CONTENTS

LEADING ARTICLES

Eire Trifles	61
Power to Act	63
Bulgaria under Fire	64
Working-Class Budgets	65

NOTES OF THE WEEK

Air and Water	66
Attack and Defence	66
The Aid for Britain Bill	67
After Klisura	67
The Abyssinian Front	67
The Price of Food	68
Peace Talk about Italy	68
Regionalism for Hospitals	68
A Use for Engineers	69
Transport Problems	69
A Servant of France	69
Empire Assets in U.S.A.	69
Education—Now and Post-War	69
Youth on the Wing	70
We Were Splendid	70
Shorter Notes	70

THE WORLD OVERSEAS

America's Hopes and Fears	71
Industrialisation in Hungary	72
Shanghai's Commercial Importance	72
Agriculture and Trade in Eire	73
The Egyptian Stock Markets Recover	73
Money and Production in the United States	74
Chilean Foreign Debt	74
Germany at War	75

BOOKS AND PUBLICATIONS

THE BUSINESS WORLD

LEADING ARTICLE

Bank Profits in 1940	77
----------------------	----

FINANCE AND BANKING

Big Money Turnover	78
Empire Assets in U.S.A.	78
The Investment of Non-Resident Funds	79
Discount Company Balance Sheets	79

INVESTMENT NOTES

Re-investment Effects	79
Another Vesting Order	79
The Argentine Debt	80

COMPANY NOTES

Selfridge Reconstruction	80
John Lewis Progress	81
Gas Light and Coke Dividends	81
Oil Dividend Contrast	81
THE STOCK EXCHANGES	82
CAPITAL ISSUES	83
SHORTER COMMENTS	83

INDUSTRY AND TRADE

A Cement Committee	83
Smaller Shipping Losses	83
Coal-Tar Oils as Motor Fuels	84
The Rise in Earnings	84
United States Export Control	84
Industrial Progress in Southern Rhodesia	85
Co-operation in Textile Trade	88
COMMODITY AND INDUSTRY NEWS	88

COMPANY MEETINGS

CURRENT STATISTICS	89
--------------------	----

Eire Trifles

MUCH as the people of Eire try to keep their skirts out of the mud of war, they cannot avoid being splashed by some of the martial traffic that passes all round them and through the skies above their heads. Discussion about the use that Irish bases could be put to by the Royal Navy has died down with the more favourable figures of shipping losses in recent weeks, but when the submarines come out again it will revive, in the Press not only of Great Britain but of the United States, too, where there is as much indignant incredulity—shared by very many Irish-Americans—over Mr De Valera's attitude as in the United Kingdom. There is also, as spring approaches and Hitler faces the necessity of doing something, the ever-present temptation of an unguarded country, where every field is an aerodrome, on England's rear flank. The bombs recently dropped by German aircraft on Dublin and—with supreme impudence—on the Curragh can hardly have been other than deliberate—German airmen know that cities lighted at night are not British. The only purpose the bombs can possibly have served was to test the Irish Government's reaction to violence. If the reaction was (as it turned out to be) merely a virginal protest to Berlin, then plans for invasion could proceed. If, on the other hand, Mr De Valera drew the ordinary common-sense conclusions and started talking mutual defence to London, then Hitler would have to think again. And if neither disgust in America nor bombs on Dublin could awaken the Irish people to their position, the shortage of all forms of imported supplies has suddenly come to teach them that they cannot, in 1941, live alone in a bee-loud glade.

The Irish attitude possibly arouses even more astonishment than anger in England. Is it really possible that the Irish cannot see the plain facts of the case? That their fate is wrapped up in the issue of the war, can be proved by merely enquiring, in suc-

cession, what would happen to them in the event of the victory of the two sides. What has Eire to fear from a British victory? Not even the most fervid Anglophobe has begun to hint at an answer that makes a semblance of sense. After a British victory, Eire will be left exactly as she is now. But what would happen after a German victory? President Roosevelt himself has given the answer, Ireland would certainly not be allowed, as an "amazing exception," to retain her freedom. It is not merely that Hitler cannot tolerate the existence of anything free in his vicinity; he would insist on taking possession of a country whose harbours and landing fields are the nearest to North America. Partition, it is true, might in a formal sense be abolished and Belfast might once again be ruled from Dublin; but the ruler in Dublin would not be Mr De Valera, it would be The O'Goering himself. Is the picture over-drawn? Who but an escapist can believe it?

This is Ireland's interest in the war. But her actions are very different. With all her future tied up with the victory of one side, she prefers to help the other. The help, it is true, is passive rather than active; but it is none the less real. Ireland's neutrality is certainly no help to Britain, and it is a powerful assistance to Hitler. This is in no way contradicted by the Nazi plans for invasion; the fact that an Ireland in German occupation would be of still greater value is no disproof that a neutral Ireland is already of considerable assistance to the Germans. Nor does the old argument of the weak little neutral hold water in this case. The Nazis will not be deterred from invasion by any considerations of neutrality; they would be deterred if a strong navy held the Irish ports and a strong army was camped on the landing fields. Eire is not even properly attending to her self-defence. She would be safer, not in greater danger, in the war than out of it. She would, it is true, get a few air-raids; but

Goering is not likely to spare many machines for such an unrewarding target. And the penalty of clinging to neutrality—a penalty which every day makes more probable—is to have a total war rage over every one of the Four Green Fields.

It is, indeed, incredible that the Irish will not see their danger—and that they do not see how they are compromising their whole moral position in the world. Was it for this, every English Liberal is asking, that Ireland's English friends fought so many bitter battles? Were they wrong, after all, in maintaining so stoutly that the Irish were fit to govern themselves? And on the other side of the Atlantic many who have always taken Ireland's wrongs and England's enormity as proven are beginning to wonder whether there is not a great deal to be said on the other side.

It would be wrong to lay the sole blame for the Irish attitude on Mr De Valera. It is tempting to draw a picture of the fanatical England-hater imposing his policy on an unwilling country. But it would be false. Mr De Valera's policy is not unpopular; any attempt to depart from it would evoke opposition. Seven distinct trends of opinion in Eire can be distinguished, and it is illuminating to particularise them:—

1. The positively pro-Nazi faction—not to be completely identified with any of the pre-war "pressure-groups" such as the I.R.A., but naturally drawing its adherents chiefly from that quarter. This faction is small, but not without power of a sinister kind.

2. The actively anti-British faction, which is prepared to acquiesce in a German victory and allows its hatred of Britain to blind it to the impossibility of its hope of being left undisturbed by the victorious Nazis. It is mainly this faction which seeks to confuse the issue (and does succeed in confusing many otherwise clear-headed people) by constant talk of "Partition."

3. The clerical faction, which is acutely divided in mind. The Axis smoke-screen over the Spanish war was peculiarly successful among the Irish hierarchy, and the delusion that it was a war of religion against Communism is dying hard. This *idée fixe* was curiously little affected by the Nazi persecutions in Germany or by the Russo-German Pact. Open or unconscious sympathy with the Axis has been strengthened by the Vatican's vacillation since Italy's entry into the war and by propaganda about the "Catholic regeneration" of Pétain's France.

4. The neutrals by conviction, in whom dislike of the Nazis and the British is balanced and who escape from the irreconcilable conflict in their own minds by hoping for the best of both worlds—that is, for undisturbed neutrality at best and, at worst, for protection by the hated British against the feared Nazis. It is in this faction that Mr De Valera himself should probably be placed.

5. The neutrals by policy, who believe that any taking of sides would precipitate a civil war in Ireland, and who, while fearing the worst from outside, prefer it to civil strife.

6. Those who hope that Britain will win, recognising clearly how much their own country depends on a British victory, but who, under the pressure of all the preceding factors, do nothing about it.

7. The survivors of the old Nationalist and Unionist tradition, who recognise no fundamental distinction between the Irish and the other peoples of the Commonwealth, who volunteer in large numbers for the British Army, who go over to England for munition work, who subscribe to British War Loans and Spitfire funds—but who are helpless in Eire.

It is impossible to say what the numerical strength of these different factions is. It is fairly certain that the number of persons in Nos. 6 and 7 is far greater than appears on the surface, as they have been deprived for years of any public spokesmen. The first two factions are numerically weak, but they have the power of terror. The Government cannot take any

strong ground of principle in opposing them and suppressing their violence, having come into existence with identically the same objects and struggled for power with identically the same weapons. There are too many professional politicians who have edged themselves into power on the anti-English band-wagon and fear they may lose that power if they stop singing, à tout ventre, the song they have been singing for thirty years; and this political bias gives an anti-British twist to the real or induced befuddlement of the majority in the three middle factions. A democracy will normally wriggle itself out of a dilemma such as this by the educative process of argument and controversy. The real indictment against Mr De Valera is not that he has failed to enunciate any plain and decisive policy—he cannot do so with opinion split as it is—but that he has stifled discussion and controversy. Eire has a censorship almost as tight as is in force in any neutral country in the world—far tighter than in belligerent Britain. Common-sense is starved of facts; logic is deprived of a forum.

What, then, can we do? There is no possibility of striking a bargain. Mr De Valera would not be content with anything less than the complete ending of "Partition"—which, in present circumstances, would involve the coercion of Ulster. And he has himself declared that he demands this as a right, not as a concession in a bargaining match. A united Ireland would be as stubbornly neutral as "partitioned" Eire. Threats will accomplish as little as blandishments. It is right and proper that Eire should be rationed for imported goods as severely as Great Britain herself; it is only common prudence to see that there are no stocks of petrol in a country that invites an invasion; but any attempt to go further and to try to starve the Irish into reason has no prospect at all of success. If the ports question becomes a matter of life and death, the only thing to do, as *The Economist* has remarked before, is to seize them. There will be plenty of moral justification for the act. A policeman in pursuit of a criminal can call on the "neutral" bystander for assistance; and the whole free world, together with at least half the Irish people, acknowledges that there is a criminal at large in the world and that Britain is the policeman. Those who would condemn such action on moral grounds can be asked whether they seriously hold that Britain would be right, in the circumstances here postulated—namely, that possession of the ports becomes a matter of life and death for Britain and Ireland together—to throw away her chance of winning the war and deliver the world over to the Gestapo rather than force the Irish to take their blinkers off? But a seizure of the ports is not an action that any British Government would take willingly; it could only be contemplated as a last resort, and we are a very long way yet from last resorts.

In default of this, there is nothing that we in England can do about the latest phase of the Irish problem but wait and hope, rather against hope, that time, the course of events, and the American example—powerfully assisted by German bombs—will convert the central mass of Irish opinion to a realisation of how much interest they have in a British victory. The time spent in hopeful patience might well be devoted to enquiring whether Anglo-Irish relations have not, for a hundred years past, been based on the false premise that it is England that should desire, and Ireland that should resist, closer relations between the two islands—with its corollary that it is always Ireland that makes the demands and England that offers the concessions. What faint advantage does England get, to-day, out of the fact that Eire is formally a member of the Commonwealth? And how much disadvantage would not Eire draw from a severance of the last tie, from the treatment of her goods as foreign goods, from the application to her sons and daughters of the Aliens Acts? Perhaps we have been making a mistake, all these years, in acting the defendant in Anglo-Irish affairs.

Power to Act

THE so-called People's Convention which was held in London last week-end merits no more notice than any other gathering of a minute knot of peculiar people. It is, of course, remarkable—and American commentators have not been slow to mark it—that a meeting called to support an offer of peace to the enemy should have gone unhindered in wartime. There is practical wisdom in tolerance and unfettered speech; and it is not possible that the views of these bogus claimants to the British radical tradition should go on record as representing the opinions of any significant fraction of the nation. What slender interest the meeting may have had outside its ranks arises from the repeated allegation, disproved by the mere fact of the meeting's own convening, that Britain is moving towards a "Fascist pattern of compulsion."

Many people would indeed be glad to learn of any evidence that the present Government was willing, outside the sphere of conscription for military service, to employ compulsory means, where necessary, for the securing of victory. The great bulk of the people would welcome the news that Ministers were at last prepared to use the wide powers of ordering which have been freely and deliberately accorded to them—not plotted for and seized by violence on the Fascist or Nazi model, but granted by the popular voice on the democratic principle that *salus populi is suprema lex*. The charges made at the People's Convention gain their interest, not because they reflect any popular sentiment or because they have any foundations in fact, but because they have something curiously in common with the grounds on which Ministers themselves have shrunk from executing their full mandate. The reasons which cause one Minister to decline to get on with his job because he "prefers being a leader to being a dictator," and lead others to explain away inaction on the plea that "the fullest opportunity must be given to free individual enterprise"—regardless of the fact that no number of individuals in isolation can construct a war economy to fit themselves into—these professed reasons spring from precisely the same confusion of thought as marked the peculiar proceedings at the Convention.

In the first instance, the confusion is verbal. When, alike, Communists (with the dupes who parade with them) and conservative Ministers of all parties speak of "compulsion," what they really mean is "authority." Authority, or *imperium* as the Roman legists called it, is an essential quality of government, and in itself it has nothing whatsoever to do with oppression—or with "tyranny" in the modern derogatory sense of the term. If the People's Convention had shared in the British radical tradition as much as its name, harking back at least to the Chartists, would imply, its members would have known, from Locke and Burke—and from Paine and Jefferson—that authority only becomes oppressive and tyrannical when its use is arbitrary and capricious and beyond popular control. Ministers, who know how clearly the popular will has been voiced for all means to victory, should know this even more plainly, by virtue of the direct responsibility they owe to the people's representatives in Parliament. Without authority there is anarchy.

It makes nonsense to claim that to require Ministers to use their authority is to accept the *Fuehrer-prinzip*. In the familiar annals of English government, *imperium* passed from King and barons to Parliament and the people; the opposite to the constitutional authority of Ministers in the Parliamentary system is the divine right of Kings to rule at will; and the *Fuehrer-prinzip* is no more than the divine right of Kings transposed to the nether regions. Nor have the attempts of Left-wing doctrinaires to identify the

authority of Mr. Churchill's government with the privileged tyrannies of a feudal baronage any weightier substance. It would be foolish to deny that there is a new baronage of vested interests embedded in our present social structure; industries, trade associations, and labour unions, all hold fiefs; and, in their new-style courts leet, their disposition is to set a term to economic expansion in peacetime and to the maximum effort in war. But it is not to support the "liberties" of these interests that strong government is called for, but to break them.

The way of the war effort which the people have willed is plain enough: to maximise production for the war without any qualification of private interest; to organise trade at home and overseas solely for the nation's welfare and security; to restrain all manner of prices, including that of labour, in the service of financial stability and social fairness; to direct the distribution of essential commodities in the cause of the common weal and in defiance of all sectional claims; and to mobilise and train manpower for all vital purposes with the utmost impartiality. If any necessary authority exercised in these directions can be called Fascist or feudal or imperialist—or undemocratic—then words have lost their meaning, on the lips of Cabinet Ministers no less than in the mouths of Communists.

To deny to Ministers the desire to do these things—or considerable success in approaching their achievement—would be utterly wrong. The creation of a fair and efficient war economy is their declared aim; and it is obviously the objective of their policies. They know what to do and, presumably to the best of their abilities, they are trying to do it. But, willing the end, they will not will the means. Because they, too, are bogged in the confusion between "compulsion" and "authority", their best intentions and devoted labours achieve much less than the best results. In the working of their controls, they rely on goodwill where goodwill is most the prisoner of narrow interest; in the mobilisation of men, money and machines alike, they rely on free choice where free choice, necessarily and through no fault, must be most short-sighted or blind. Willingness and hard work, in every sector of society and in every branch of administration, have done marvels. They have brought one enemy to the point of defeat; and they have contained and wounded the other. Under fire they have excited the admiration of the world, and they have given a promise that the greatest trials of the war will be withstood. But the war effort is still only a "scratch" effort. It holds together in default of, rather than because of, firm direction; and the war has not only to be not lost; it has also to be won.

Compulsion is a boggy. The demands of authority are part and parcel of our system of government already, as they are of every system of government, free or bound, popular or capricious. Conscription, taxation and the whole penumbra of enactments to secure health and safety at work, at home and in the streets—all these are "compulsory." The obligation upon all citizens to refrain from theft, murder and all forms of violence is "compulsorily" enforced. There is nothing in the enforcement of the requirements of war economy which need add a single new principle to the way in which authority is already exercised to maintain law and order and social justice. Indeed, justice, no less than victory, requires that men put out of work by the war shall be placed in employment for the war; that inflation shall not be permitted to run far enough to threaten ordinary people with distress and ruin; that the unmarshalled organisation of trade and distribution shall not menace the diets of poor families; that the stupidity of the few shall not

been decided that broadcasting must, in the last resort, be a mouthpiece for the Government in wartime—a tenable proposition—then the best way to make the change is openly—accepting the consequences.

* * *

Fire Bomb Fighters

A tour of the City of London or of the centre of Southampton might suggest that Mr Morrison's new fire-watching and fire-fighting plans represent the usual belated locking of the stable door, for it is very unlikely that, with proper precautions, such destruction could be done again by fire-bombs. Unfortunately, however, it appears that the lock is still being haltingly and clumsily put on. In design, it is an excellent, stout lock—especially when it is considered that, from all appearances, there was no design at all six weeks ago when the bad fire raids happened, and the plans had to be hurriedly devised after it had been announced that they were due. First of all, there are three defence regulations: one giving power to conscript persons aged 16 to 60 for civil defence duties; another giving power to require occupiers of business premises to make adequate arrangements against fire—and workers there to take turns of duty; and a third giving power to require local authorities to make arrangements for all premises in their area other than business premises. Then there are two Orders: one, the Fire Prevention (Business Premises) Order obliging occupiers of business premises to make individual or joint arrangements; and another, the Civil Defence Duties (Compulsory Enrolment) Order, enabling local authorities to register and enrol men of prescribed ages if the number of volunteers in their area is insufficient. In addition—and very important, because the definition of what exactly constitutes adequate arrangements for fire-watching is the kernel of the whole scheme—instructions have been put out by the Ministry of Home Security giving, not only details about equipment and compensation, but also guidance about the number of watchers required for watching and spotting in areas of a specified size—two to cover a street of 150 yards (or an area with a radius of 200 yards if they can mount a roof 20 feet above the other roofs around), with three for each stirrup pump party. This looks, and indeed is, very comprehensive. The question is: how is it being applied? Sample inquiries suggest that the answer is not yet very encouraging—much less encouraging, at any rate, than might be inferred from the enthusiastic Press accounts of fire-fighters leaping in half-dozens upon single incendiaries.

* * *

"Ca' Canny"

When Mr Morrison announced a fire-watching scheme on New Year's Day, he was the first Minister to threaten compulsion for civilian duties. But the dominant theme of the work that has been done since has been a desperate insistence on voluntary effort until it is absolutely proved insufficient—presumably by further successful fire-raids. The Fire Prevention (Business Premises) Order has been applied to most vulnerable areas. The Compulsory Enrolment Order has not been applied at all; the trouble, in fact, is with streets and houses. In London, it is reported that an appreciable large number of firms have been unable to collect sufficient volunteers—even though the Fire Prevention Order lays a duty upon men working on business premises to take turns of duty; in several districts there are streets which have failed to produce sufficient volunteers to patrol; and a heavy burden is inevitably being laid on the thousands of public-spirited people who have come forward. Nor is the worst fault that of reluctant employees or residents. In very many areas the situation is satisfactory; but, where any lack of personnel does exist, the local authorities surely have the solution for it in their own hands; if they do not compel service at once they can at least make it plain to every individual that the obligation to serve is inescapable. Actually, too many authorities have not even made it plain what the obligation or the character of the duties is. In some places, voluntary enlistment has already failed; in more it has not even been properly tried. The excuse is that the "voluntary method" is being "fully explored"

first. As a result, not only is the stable door still open; there may also be a Trojan horse inside, an animal of our own making.

* * *

Shelter Policy

There are signs and statistics that shelter conditions have improved considerably in recent weeks. In the whole of the London region, shelter accommodation has now been provided for 80 per cent. of the population, of which 19 per cent. were provided for by public shelters and 61 per cent. by domestic shelters. On the other hand, a census of shelter-users taken on the first Sunday night in January, a raidless night, revealed only 4 per cent. of the population in public shelters and 14 per cent. in domestic ones, compared with 5 per cent. and 19 per cent. respectively a month earlier. In 149 out of the 154 shelters that accommodate 500 persons or more, medical aid posts have been established; 65 other shelters are being given similar posts in groups; while in seven very large shelters there are whole-time doctors. There are now bunks for 462,000 persons, and the number of canteens, excluding those in the Tubes, is 1,980. It is expected that, by the end of this month, all the 80 Tube shelters will be fitted with improved sanitation and bunks. These statistics are most encouraging, and show that a real and successful attempt has been made to make the public shelters tolerably habitable. But the Government has very wisely not surrendered its principle that dispersal is the better part of sheltering. This week Mr Morrison announced that a new indoor shelter has been designed and will be given to all homes up to an income limit of £350 a year. This will presumably supplant the Anderson, for which the income limit was £250, and will be much more satisfactory, since for homes without gardens an Anderson was useless—and in any case it was extremely difficult to keep dry. To begin with, the new shelter will only be distributed in priority areas, based on presumed vulnerability, but it is to be hoped that, in these areas, every effort will be made to persuade the recipients to use them, thereby relieving the congestion in the public shelters.

* * *

An Unreal Vote

The South African Parliament is still out of line with the movement of public opinion in the Union. A vote of no confidence in General Smuts at the week-end was only defeated by 78 votes to 59, a majority of 19 for the Government compared with majorities on similar votes of 13 in September, 1939, 22 in January, 1940, and 17 last August. Yet the situation has changed enormously in these eighteen months of war. The first peace and neutrality motions of General Hertzog were based on the argument that the Union was being forced into "England's war"—which was amply disproved by popular support for the war effort and the results of by-elections. In the debate of last August, in which Dr Malan rather than General Hertzog was the Opposition's most convincing figure, the argument was that Britain was already beaten; and that contention has since gone the same discredited way as its predecessor, well aided by the successes of South African arms. The Opposition to General Smuts still musters nearly sixty votes, but it has no leg to stand on. What is more, it is torn by dissension. The chief feature of the latest debate was the virulence with which the supporters of Dr Malan, who moved the motion, were criticised by the followers of General Hertzog, who has now retired, for their narrow racial outlook; and even among the Malanites the gulf between the calculating Republicanism of their leader and the blood-and-soil blindness of the extremists—whose actual leader is rather Dr Van Rensburg—was very evident. The Opposition vote was a hotch-potch—ranging from the Hertzogites' formal plea for neutrality, through the "anti-Imperialist" sentiments of the new "Afrikaner" party and Malanite separatism, to the active disloyalty of the Ox-wagon group. In the Union Parliament, there is an overwhelming majority for co-operation between Afrikaner and British, just as there is an overwhelming majority for the war among the South African people.

Politicians at Play

Indian politics continue to be surprisingly unreal. Congress, in the main strongly anti-Nazi, opposes the war vocally and demands a National Government at once and immediate independence for India. Mr Jinnah of the Moslem League has restated his demand for Indian independence, which includes a scheme for partition to set up a separate "Pakistan" consisting of Moslem States. The Christmas meeting of the Hindu Mahasabha put out a call for support for the war, but demanded a definite date for Dominion Status—not later than one year after the end of the war; while the conference of the Liberal Federation put the time limit for Dominion Status at two years after the war. Thus the demand for further self-government in the near future is common to all groups; and every section but Congress supports the war. But by self-government very different things are meant. To Congress it means the Congress rule. To the Moslem League it means the government of Moslems by Moslems. To the Mahasabha and the Liberals it means representative government on a broader basis—and the partition plans of the League are anathema. Mr. Gandhi has committed Congress to the anti-war campaign which has so far resulted in the imprisonment of many of the best brains and characters in India. But, although his stand is ostensibly the moral ground of pacifism, the Mahatma has now implicitly admitted the political character of his programme by stating that "We are resisting an authority that is itself struggling in a fight for life against a stubborn foe—our struggle must be coterminous at least with the European"—though reports that he may still be a little unsure of his ground. The Mahasabha, too, has threatened direct action if its constitutional demands are not satisfied. In detail, then, the politicians are presenting, with no will to compromise or even discussion, demands, in no way compatible, for constitutional changes which, in any case, are impracticable now while the war is on. As a result, the public is becoming less and less interested in what appears to be no more than a series of interested and opportunist manoeuvres. This is the chief feature at the moment. Indian troops are now in the front line, and the war effort in India is perceptibly growing. Congress membership is markedly falling off; and it is probable that the attitude of most unsectarian Indians is best reflected by the demand of the Liberals and of the moderates of all the communal factions for a broader and more national Central Government now and for Dominion Status at a specified date later on. The jockeying of the political groups may be largely irrelevant, but it would be a great mistake for the British authorities to allow the fact that the politicians cancel each other out to obscure the general wish for greater control by Indians over Indian affairs.

* * *

Lines of Communication

The first lesson of modern warfare is that power to produce counts more than manpower. The second, which has hardly yet been learned, is that power to transport may count most of all. The British blockade of German Europe will only be a decisive factor if transport difficulties, intensified by bombing, reduce the enemy's scarce supplies in his vast territories below what Mr. Dalton has called the "distributional minimum." Just as Hitler's greatest weakness is the distances over which his men, materials and machines have to be transported, so does his highest hope reside in the thousands of sea-miles across which the necessities of life and the sinews of war have to travel to Britain. Invasion is only the of war have to travel to Britain. Invasion is only the third and most speculative prong in the German offensive; at sea, in the ports and inland, transport is the target of a double assault by submarines and air-craft; and the Achilles heel in Britain's defences is not so much the vulnerability of transport to these attacks as its ill-organisation. In the spring, the ability to move and distribute goods through the ports and overland will be the key to the battle. If the final coup of invasion is attempted, its success or failure will depend, not merely on fire power in the air, at sea or on land, but on mobility—of war goods and essential supplies no less than of fighting men. A bulletin of the Vigilance-for-Victory Group* makes three points: first, that the in-

* "The Organisation of Transport for War." Bulletin 5 of the Vigilance-for-Victory Group. 10 Hertford Street, London, W.1.

ability of existing transport facilities, even under non-Blitz and pre-invasion conditions, to clear the ports and distribute supplies when and where they are needed is due to lack of ways, not lack of means; secondly, that this absence of efficiency is due to the fact that, whereas the demand for transport is organised and concentrated in the war Ministries, the supply of transport, apart from shipping, is not organised at all; and, thirdly, that a prime cause of the absence of organisation is the persistent assessment of transport operations by their financial results and not by their service to national requirements. This is familiar ground. The suggestion that the problem of moving traffic through the ports should be solved as it was in 1916-18 in the overburdened ports of France, when all forms of transport were amalgamated under a Director-General and armies of millions were supplied under fire, goes to the heart of the matter. Britain is in the front line now. Recent port delays and the chronic breakdown of coal transport only foreshadow how the German invasion of Britain might be favoured, or the British invasion of Europe frustrated, by a system in which, apart from petrol rationing and war demand, transport—as usual—limited by commercial considerations and working in watertight compartments, is the rule. The work of the pool of refrigerated road motor vehicles under the auspices of the Wholesale Meat Transport Association—often criticised for its quasi-monopolistic position—can be cited as an example of the efficiency—and cheapness—of new communal methods; and now the Ministry of Transport itself is to operate hired lorries in a single pool. Only when the entire transport capacity of the country—rail, road and canal—is pooled under a single direction and used as nationally required, regardless of financial or other considerations, will the country be really ready, first, to repel the invader, then to plot his defeat.

* * *

Trinidad's Constitution

The appointment of Lord Moyne as Secretary of State for the Colonies is welcome, for he is associated with the new colonial system, announced a year ago, when it was decided to establish a Colonial Development and Welfare Fund. The recognition that colonies ought to be given economic help from Great Britain sprang directly from the report and recommendations of the West India Royal Commission, of which Lord Moyne was chairman. Unfortunately, the course of the war has meant that the new system was stillborn, or at least has been considerably dwarfed. But there has been some attempt to implement the Commission's recommendations on the constitutions of the West Indies. Discussions are at present taking place with the Governor of Jamaica on a new constitution for Jamaica, and Trinidad received a new constitution last December. The latter does not appear, however, to fulfil the recommendations of Lord Moyne's Commission, except in the

Exports & Imports

While the war has increased the already vital need for exports and imports, it has, at the same time, necessitated the introduction of numerous regulations and restrictions which add considerably to the trader's difficulties.

The Westminster Bank maintains specialized departments where its customers may obtain expert advice and assistance in dealing with such problems as arise, and it strongly advises those who are exporting or importing to consult it as soon as their intentions are known. Information is also available regarding Documentary Credits—so necessary to the financing of war-time trade.

Further particulars may be obtained from the Manager of any branch or from

WESTMINSTER BANK
LIMITED

Foreign Branch Office: 41 Lothbury, London, E.C.2

as distinct from the "productive," industries since the last war.

The actual distribution of the weekly expenditure of the average working-class household is well worth recording in summary form:—

AVERAGE WEEKLY EXPENDITURE (EXCL. RENT)			
Food:—		Clothing:—	
Bread and flour...	3 6½	Men's.....	2 3½
Cakes, etc.....	1 6½	Women's.....	2 7½
Cereals.....	0 3½	Children's.....	1 0
Meat.....	6 2½	Repairs, dyeing, cleaning	0 1½
Bacon, ham.....	1 11	Footwear.....	1 6½
Fish.....	1 4½	Footwear repairs.....	0 7
Milk.....	3 6½		
Butter.....	2 5½	Total.....	8 2
Margarine.....	0 4½		
Lard, etc.....	0 6½		
Cheese.....	0 8½	Other Items:—	
Eggs.....	1 10½	Soap, etc.....	1 1½
Tea.....	1 7½	Household equipment.....	2 11½
Cocoa, coffee.....	0 2½	Tobacco.....	2 6½
Sugar.....	1 0½	Travelling.....	2 3
Jam, etc.....	0 7½	Newspapers, periodicals.....	1 0
Potatoes.....	1 1½	Cinemas.....	0 10½
Vegetables.....	1 4½	Other entertainments.....	0 5½
Fruit.....	1 9½	Holidays.....	0 7½
Meals, not at home.....	1 1½	Drink.....	0 9½
Other food.....	0 9½	Laundry.....	0 6½
		Hairdressing, shaving, etc.....	0 6½
Total.....	34 1	Medical expenses.....	1 8
Fuel and light:—		Health, pensions, unemployment insurance.....	2 0½
Coal and coke.....	3 3	Other insurances.....	2 4½
Gas.....	1 5½	Trade Union subscriptions.....	1 4½
Electricity.....	0 11½	Other expenditure.....	4 4½
Oil, wood, etc.....	0 8½		
Total.....	6 5	Total.....	25 7

This is a close etching of the employed worker's life before the war. Among foodstuffs, expenditure on bread (including flour), meat (including bacon), milk, butter, tea and sugar was 20s. 4d., or 60 per cent. of the total, while purchases of vegetables and fruit were only 3s. 2d., or less than 10 per cent. of the total. In clothing, the enquiry discloses the somewhat surprising fact that men spent only 3½d. per week less than women; and of particular interest is the way in

which the income left over after payment for rent, food, clothing, and fuel and light was spent. The amount spent on tobacco was equivalent to nearly one-quarter of the rent, more than three times as much as the drink bill, and it exceeded the expenditure on butter. Newspapers and periodicals and the cinema each account for a slightly bigger weekly expenditure than drink. But have the investigators been told the whole truth? On the basis of the data obtained, the average annual expenditure on drinks of the 8,905 households was £2; but the average amount spent each year on beer alone in this country exceeds £3 per head, while the total drink bill per head is above £5 per annum.

In housing, the enquiry showed that only 17.8 per cent. of the 8,905 families were owning or buying their dwellings. No less than 80.0 per cent. of them were renting their dwellings, while, in the case of the remaining 2.2 per cent., the dwellings were supplied rent-free by employers. The weekly expenditure of the families who owned or were purchasing their dwellings was 12s. 9d., while those who rented them only paid 10s. 8d.

These results bring out the far-reaching changes in the habits of the working classes that have taken place during the past twenty-five years. They spring from the rise in real incomes, the reduction in the size of the average household, the introduction of new commodities and services, and other influences; and they will provide the Government with a useful yardstick for reducing consumption in wartime. But the construction of a new cost of living index based on pre-war expenditure is now not pressing, for we must temporarily return to a simpler way of living and cut out of our budgets many of the items that were added to them after 1914. On the other hand, the results obtained from this enquiry should facilitate the task of calculating a wartime index of the cost of maintaining the people in good health, which now seems much more urgent than an index showing changes in the cost of maintaining a standard of life that we cannot afford.

NOTES OF THE WEEK

Air and Water

For some weeks, shipping losses have been below the perilous levels of the months since June, and in the week ended January 5th the loss of 14,687 tons, all British, was the lowest since last May. In the air, night raids on this country have been fewer and of shorter duration, apart from the recent intensive attack on Portsmouth, though the damage done in several of the latest type of sharp fire-raising raids has been considerable. Both at sea and in the air, in fact, there have been signs of increased thriftiness in the enemy's use of his resources. While it would be premature to suppose that this caution is due to any current shortage of material, personnel or fuel, it is likely that the Germans are finding it very necessary to husband their supplies with great care to make possible the major campaign against the subsistence and independent being of these islands which it seems certain they have in mind. The same economy in tactical operations was witnessed twelve months ago when the drive by land to the North Sea, the Channel and the Atlantic was being prepared. Moreover, on this occasion, the defenders are far from passive. Frequent air attacks by the R.A.F. on submarine bases and the German bombers' airfields; the increase in the number of escorts for Atlantic convoys; the activities of the first few night fighters in the defence of Britain—all these have conspired with continuous bad weather (which has almost surely been the chief external deterrent both on sea and over the land) to emphasise the enemy's disposition to limit his activities. The preparations for his "push" are going on on both sides of the front, here and at sea, by the equivalent of the patrols and searching barrages of trench warfare, and in Europe by the deploying of men, machines and material for the attack—always under the vigilance of the R.A.F.

Attack and Defence

The limitation of enemy activity is in sharp contrast to the growing boldness of our own forces, which are using the tactics of counter-patrol to attack and reconnoitre with a new confidence. Only a few days ago British bombers, with a fighter escort, swept in force for the first time by day over the enemy's air and Army bases in the Pas de Calais, while the incessant forays by night against ports, airfields, factories and communications, from Norway to Italy, have increased in vigour. It is too soon to say that we have taken the offensive. These are the obvious ripostes of an audacious defender against a hanging menace. But it is being made very clear that, unless the enemy can set his greatest offensive in train very soon, he will be faced with the danger of our counter-offensive being in fact the first blow. Nor can the difficulties of supply and transport over the large area of all Europe be anything but steadily worsened by the combination of blockade and intensified bombing. Hitler has to go carefully now, and he must strike his heaviest blows in the West soon. Moreover, if he has not yet lost the initiative in the West, it has been thrown away by the Italians in the South and South-East. Italy and the Balkan Peninsula are no longer springboards for Hitler's grand designs upon the world beyond Europe. They are of the dramatic changes that General Wavell and the Fleet are making in the Mediterranean scene, it is that Hitler must dispose his forces to guard against an inroad bringing the Allies closer to his flanks. He need not and cannot save the Italian Empire in Africa. He must save Italy, just as he must have his forces in the Balkans arrayed to counter-attack or defend. The Italian Navy is still mainly intact and characteristically safe, and it appears that Hitler has decided to take up his stand first

on the Mediterranean. Between January 10th and 13th German bombers—probably from Sicilian bases—dived again and again with skill and daring upon a heavily escorted convoy for Greece passing from west to east through the Sicilian Channel. An aircraft-carrier, a cruiser and a destroyer were hit, but none was sunk, and the convoy got through. Twelve German and Italian planes were lost. Early this week a protracted raid on Malta was carried out by the Italians; and it seems that the Germans have decided that, if the back doors to German Europe are to be kept bolted, while the offensive in the West develops, it is necessary to induce the Italians not just to allow command of the Mediterranean to go by discreet default.

* * *

The Aid for Britain Bill

There were many complaints in the United States six weeks ago about lack of action at Washington. The election had given Mr Roosevelt a complete mandate for his avowed foreign policy but, it was said, no progress was being made. Those complaints are not being repeated now. Indeed, the pace of advance is electrifying and the terms of House Bill No. 1776—a Declaration of Interdependence—go much further than would have been believed possible even as recently as two months ago. The Bill authorises the President to manufacture or purchase munitions and to "sell, transfer, exchange, lease, lend or otherwise dispose of" them to the Government "of any country whose defence the President deems vital to the defence of the United States," in return for "payment or repayment in kind or property, or any other direct or indirect benefit which the President deems satisfactory." This obviously places very large powers of discretion in the President's hands and though Mr Roosevelt has disclaimed any desire to have more powers than are necessary, the Bill is being attacked on the "dictatorship" as well as on the "entanglement" issue. But it has received the blessing of such old and new enemies of the President's as Mr Al Smith and Mr Wendell Willkie (whose promised visit to England is a fine example of that meeting of minds between the two countries which is the surest guarantee of understanding and co-operation). There is no doubt of the Bill's passing, though it may have some restrictive amendments tacked on to it. Those that have been mentioned include a time limit of two years and a requirement that Army and Navy officials must consent to the export of any munitions. Another proposal, sponsored by Senator George, Chairman of the Senate Foreign Relations Committee, is that Britain should give a lien over her rubber and tin interests as a guarantee of repayment. This looks less pleasant on the surface, but it would be a mistake to take it too tragically, since America is clearly entering on her new course in the mood of a partner rather than that of a pawnbroker.

*

The new aspect of relations between the two countries obviously requires a renewal and broadening of the channels of communication, and have here too the appropriate conclusions are being drawn. Lord Halifax will very shortly be leaving for his new post, where he will be a member of the War Cabinet seconded for special duty. To fill the interval before the appointment of a new American Ambassador to London, Mr Harry Hopkins, perhaps Mr Roosevelt's closest political friend, is in London. The work of the British Supply Missions in America will clearly become increasingly one of treating with the American Government instead of placing direct contracts, and this fact has been recognised by the creation of a new British Supply Council in North America, with Mr Arthur Purvis as Chairman. The Council will co-ordinate the work of the naval, military and air missions and Mr Howe, the Canadian Minister of Munitions and Supply, will also be a member of it. In this general improvement of communications it is to be hoped that the actual physical means will not be overlooked. The American newspapers—such few copies as reach this island—steadily complain about the delays and uncertainties of the mails. Surely we do not have to wait until we reach full supremacy in the air before enough long-distance machines are assigned to the North Atlantic route to keep the channels between the two halves of the democratic world wide open?

After Klisura

The fall of Klisura comes at the end of three weeks of bitter fighting. The weather is probably responsible for the time it has taken the Greeks to conquer the heights surrounding Klisura. Snowdrifts lie across the mountain tracks, the muleteers have to scramble with their supplies over rocks and hillsides slippery with ice and at least a part of the hand to hand fighting which preceded the taking of the town took place in blinding snowstorms. But the results are worth the agony. Tepe-lini must fall soon; the Greeks are pushing forward along the road to Berat and along the coast beyond Himara. If these advances are sustained Valona is lost. The chaos existing behind the Italian lines is illustrated by the third change of command in three months. General Soddu resigns, pleading an understandable state of ill-health, and he is to be replaced by General Cavallero. The Duce's choice is certainly remarkable. Cavallero was only recently appointed to be Commander-in-Chief of all the Italian forces. If he is now to go to Albania, it is questionable whether he can maintain the necessary oversight of the military affairs of a nation which is fighting a desperate fight on three land fronts, in the air and on the sea. It is possible that his departure is the price Italy is paying for the Stukas which are dive bombing the British fleet off the coasts of Sicily. With Cavallero away, the tacit assumption of supreme command by Germany could perhaps be accomplished with less personal friction and animosity.

* * *

The Abyssinian Front

While the patient investment of Tobruk continues, supplies are brought up, the men rested and the almost embarrassing host of prisoners disposed of, the focus of interest in Africa has shifted to the frontiers of Abyssinia. To the south the storming of El Wak on December 17th has been followed by the occupation of Buna, which was found already abandoned by the Italians. Round Kassala and Gallabat our patrols give

THE NEW YORK TRUST COMPANY

Capital Funds . . \$37,500,000

BANKING
AND
FIDUCIARY
SERVICES

100 BROADWAY

CABLE ADDRESS
NYTRUSTCO



MEMBER OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

the enemy no rest, and in the Abyssinian interior the situation is beginning to deteriorate. Haile Selassie is at Khartoum awaiting the moment to cross the frontier, and each week brings new reports of the Abyssinians' growing confidence and better equipment. Ras Mengasha is apparently the Abyssinian Commander-in-Chief, and now that the news of the Emperor's presence has spread inside the country, desert warriors are making their way across the frontier to declare their allegiance and to return with arms and supplies. The Italians' withdrawal in Northern Kenya is probably due to a growing fear for their bases. The fear is understandable. The Abyssinians have a long score to pay off and they are not pretty fighters. Unarmed and disorganised they took a constant toll of Italian life. Well-armed, the result must certainly be massacre. For the Italian soldier this is a hazard of war, even if it is the consequence of Mussolini's deplorable folly and ambition. But for the wives and children of the Italian colonists, it is a disaster for which they are not remotely responsible, and it is to be hoped that the Italian Government will take advantage of Britain's willingness to allow non-combatants safe passage back to Italy.

* * *

The Price of Food

The issue by Lord Woolton of an Order fixing the prices of a long list of foodstuffs at the price charged on December 2nd, 1940, has carried the development of food policy in the present war an important step further. The Order, which came into force last Monday, covers coffee, biscuits, honey, meat pastes and a number of other commodities whose prices have been rising steadily during the past few months. The most significant omission from the list, apart from foodstuffs, whose price is already controlled, is the whole range of fresh and dried fish—a source of nourishment which becomes relatively more important with the rationing of edible offals. The price fixing Order is stated by the Minister to be an "interim measure," to take effect until the local and competitive differences in prices which existed on December 2nd can be "ironed out" by the issue of maximum price Orders. This is by no means the first time during the present war that the Ministry of Food, in a praiseworthy attempt to fight inflation and combat the exploitation of the average Briton by speculators and option buyers, has controlled the price of an unrationed commodity. Nor has it been wholly the result of control that the articles controlled, lemons, oranges, onions and eggs, either disappeared entirely from the shops or made an appearance in more restricted quantities. The institution of price control coincided with the further curtailment of imports.

*

But, for several good and long-established reasons, price control without rationing is always liable to provide a strong deterrent to the sale of the controlled goods in the open market. In all cases where the cost of transport is an important factor in distribution there is a tendency for the goods to be sold at the point of production or initial distribution. Moreover, as prices in the first week of January tended to be above those of December 2nd, there is presumptive evidence that demand at the controlled prices will be heavily in excess of supply, and shopkeepers will be encouraged either to withhold goods from sale and exert pressure for the raising of the controlled prices before the maximum is announced or to sell only to the "best" customers. The attainment of most-favoured customer status is, unfortunately, not determined by need, but, all too frequently, by ability to spend lavishly. Apart from the fact that large-scale price control without rationing demands a system of informers to ensure that it is enforced, it must both accelerate the demand and curtail the supply of goods which are already relatively scarce. The problem—the control of rising prices when higher money incomes are spent on smaller supplies—requires a more rigorous solution. If order and plan is to be introduced into the distribution of food, the maximum practicable extension of rationing must be accompanied by some form of limitation of private expenditure on all unrationed foods, either by group and "point" rationing or by the limitation of total weekly expenditure in terms of money.

Peace Talk about Italy

The American Ambassador to Italy, Mr. W. Phillips, is on his way back to Rome, and his return is an interesting illustration of President Roosevelt's desire to keep open his avenues of communication and information in Europe—and perhaps of his determination to restrict the present hostility and potential belligerency of the United States to the German Reich. All the nations of Europe, whether they are nominally friends or acknowledged enemies of the Nazis, have been consistently fooled and exploited by them, and if American influence can at any point be brought to bear upon the non-German Governments of Europe, it will all be in the direction of encouraging their desire for peace and weaning them from their German masters. The presence of American Ambassadors in Europe may indeed prove a serious embarrassment to Germany, particularly in Italy, where the country, if not entirely disintegrated, is at least in a dangerously unstable state. Mr. Phillips' return, together with the President's recent message to the King of Italy, conveying his hopes that the Italian people would soon enjoy "a righteous peace," has naturally given rise to a spate of rumours covering everything from American offers of mediation to an imminent Italian collapse. It is probable that influential Italian opinion is sharply divided. But it is a long step from divided counsels and influential discontent to the negotiation of a separate peace under the nose—the extremely sensitive nose—of the Germans. And peace offers would mean the eclipse of Mussolini, and there is no evidence to suggest that he is an exception to the rule that dictators prefer to betray their country rather than to lose power.

* * *

Regionalism for Hospitals

In December, 1939, Lord Nuffield established a trust of about £1½ millions with the object of co-ordinating the hospital services and ancillary medical services in the provinces, in much the same way as the King Edward's Hospital Fund does for the London hospitals. He envisaged regional boards throughout the country which would co-ordinate hospital finance and policy, and the trust would be used principally to make grants to the boards when they were established. The trustees have now reported to the Minister of Health on their first year's work, most of which has been concerned with setting up the administration; even now, regional committees are only in process of being formed—it is interesting to note that the regions will probably coincide with the Civil Defence regions in accordance with the recent rapid growth of regionalism generally. The regionalism envisaged, besides helping the voluntary hospitals through a particularly awkward financial period, will attempt to define the relations between them and the public health authorities, a relationship which the war has thrown into prominence through the establishment of the Emergency Medical Service, and on which the whole future of the voluntary hospital system in this country may ultimately depend. In reply to the report of the Nuffield Trustees, Mr. MacDonald has given his blessing to the scheme and pronounced his conviction that a regional unit is necessary for avoiding duplication and waste. The voluntary hospitals already receive grants out of public funds for any services they perform for the local authorities, but too often they have cherished their independence too dearly for any co-operation with the local authorities to be possible, with the result that the latter have in some cases set up their own specialist service, which merely repeats that of the voluntary hospital. What is wanted is the best service for all, irrespective of whether it is provided on the voluntary or the State principle. The experience of the King Edward Fund in London does not point to the complete achievement of this aim by the Nuffield Trust. But, if it is properly worked out, it should remedy many of the most obvious faults; and it provides a great opportunity for taking the hospital service to the patient instead of the patient to the service. Few small districts can do more than provide a cottage hospital; for specialist treatment their patients have to visit hospitals sometimes many miles from their homes. But through the Nuffield Trust it should be possible for a certain number of hospitals in each region to be centres from which doctors, nurses and equipment can cover with local clinics all the districts included in the region. Cure, rehabilitation, and, best of all, prevention would thus be within easy reach of all.

A Use for Engineers

The chief reaction to the announcement last week that the Ministry of Labour had set up a separate section to deal with engineering was utter astonishment that such a section did not already exist. This war is *par excellence* a war of precise engineering, much more so even than the last one, and it will be won by engineers. The Ministry of Labour, however, denies that there is anything important in the change. The Ministry's job of registering, placing and moving workers has grown enormously because of the war; the work is subdivided into sections dealing with the different aspects of labour supply; and it has now been found advisable to have a separate one for engineering. That is all. But, since the object of this piece of internal reorganisation is also said to be to secure expert advice for the Government on problems of engineering labour, it seems abundantly clear—to the lay observer at least—that, if this advice and these experts are needed now, they have surely been needed ever since the problem of using and expanding the engineering industries for war purposes first arose. What appears to have happened is that the task of recruiting and training engineers has perforce and belatedly been recognised to be too big and too difficult for the standing organisation of the Ministry to manage, and it is perhaps characteristic that the change was apparently not conceded until it was quite impossible to escape it.

* * *

Transport Problems

There is a danger that transport will become the great bottleneck in the production of munitions. Last week the Ministry of Transport announced that Mr. J. Gibson-Jarvie, chairman of the United Dominions Trust, and Mr. Robert Letch, assistant general manager of the Port of London Authority, had been appointed regional port directors for the north-western region and for the Clyde region respectively. The object of these appointments is to secure a more rapid clearance through ports of goods, whether inward or outward bound, a quickening in the turn-round of ships and a better utilisation of existing transport facilities. The two directors have been authorised to exercise the Minister of Transport's powers of issuing instructions to the port emergency committees set up at the principal commercial ports for the purpose of securing efficiency in port traffic. Further, in order to speed up the repair of roads and public utility services in London, Sir Warren Fisher, Special Commissioner in the London Region, has asked local authorities to submit proposals for strengthening their road repair organisations by securing additional men and equipment. On the other hand, there has been further evidence, derived from a special investigation made by the British Road Federation, for example, of the still inadequate use made of our road transport facilities, of the shortage of lorries and drivers, and of the difficulties and delay in securing spare parts and in repair work. Arrangements have been made for the use of Army transport to relieve congestion in certain cases, but this contribution to the solution of the transport problem must be limited. Again, there have once more been complaints of the insufficient use made of canals. It would seem that many barges are lying idle, but one of the difficulties in the way of a rapid expansion in canal traffic is the shortage of men to man them. A scheme for the training of bargees reposes in the pigeon holes. Fortunately, there are some signs that the transport problem is being tackled more vigorously; but speed is of the essence.

* * *

A Servant of France

M. Eboué has been appointed Governor-General of French Equatorial Africa, and arrived in Brazzaville a few days ago to take up his duties. He is the first black man to hold so high a post in the French, or, indeed, in any, colonial service. There were only five Governor-Generals in the French Empire, and in the Free French Empire of to-day this is the only one. M. Eboué was born in French Guiana about 50 years ago. He studied law at Paris University, and also attended the

Colonial School in Paris. He then went into the Colonial Civil Service. His great ability and intelligence earned him steady promotion until, in 1936, he was appointed by the Blum Government to be Governor of Guadeloupe. This appointment was strongly approved by the French Chamber. As Governor of Guadeloupe, M. Eboué proved so good a friend of the native labourers in the formation of trade unions and in the improvement of working-class conditions that he aroused the opposition of the French planters, and he was finally transferred to the Governorship of Chad, part of French Equatorial Africa. After the collapse of France, he was the first to resist Vichy and to come over wholeheartedly to General de Gaulle. At that time the Governor-Generalship of French Equatorial Africa was in the hands of a French soldier, General de Larminat, but it was decided to replace him by a civilian, and the honour fell to M. Eboué. In these days of intransigent racialism and economic "new orders," it would perhaps have been a worthy gesture to have included M. Eboué's name in the New Year's Honours in the special list devoted to distinguished officers of Britain's allies. Both his work and his career are admirable illustrations of the cause for which we fight.

* * *

Education—Now and Post-War

Recently, for the first time since the beginning of air-raids, the President of the Board of Education gave his official thoughts on the present state of education in this country. He agreed that the outbreak of war had caused a "serious dislocation" of our educational system and that a number of problems of "exceptional difficulty" had arisen; but he believed that the survey of the present position now in progress would show that the general structure of education was "bearing the strain remarkably well." The publication of the survey—if it is published—will be awaited with interest, for if it really proves Mr. Ramsbotham's assertion, it will be in sharp contradiction, not only to the opinion formed by most anxious observers, but also to the specific reports published by the National Union of Teachers and the Workers' Educational Association. The most obvious evil is the large number of children—they still number 20-30,000 in the L.C.C. area alone—who are not going to school at all. Mr. Ramsbotham "hopes" that the parents of these children will be proceeded against with the utmost vigour and severity, but he gave no indication that the Board was attempting to cope with the troubles of the neutral and reception areas. Perhaps, however, the most gloomy part of his address was that which gave his aspirations for the future. After saying that as soon as possible after the war the school-leaving age will be raised to 15, he said that it was his "personal belief and ultimate goal" to adopt a minimum leaving age of 16, provided that varied types of post-primary education have been devised for varying tastes and capacities. Mr. Ramsbotham did not explain why no attempt to provide such education was made before the war or why the report of the Spens Committee, which proposed different types of secondary schools, all of equal standing, was promptly shelved. The recent past, like the present dislocations, augurs ill for the post-war future. If there has been a radical change in the outlook of politicians and administrators towards education—and it is out of the test and trial

THE COMMERCIAL BANK OF SCOTLAND LIMITED

Incorporated by Royal Charter and Act of Parliament

PAID-UP CAPITAL . . . £2,250,000

RESERVE FUND . . . £3,150,000

ESTABLISHED 1810

of wartime that such conversions should come—more than the usual platitudes are needed in authoritative speeches, even though conditions now will not permit of active reforms. At least more effort is required to see that education does not sink into a serious decline because of war-time maladministration. And if the “deep and careful thought” which Mr. Ramsbotham and his advisers are now giving to reforms in post-primary education is really concerned with the ultimate goal of a school-leaving age of 16, it can only be said that their thoughts are extremely limited. If, as Mr Ramsbotham states, post-war changes in our social and economic conditions will have a profound effect on young people, surely the corollary is a complete change in the social aspect of education. Tinkering with the school-leaving age is, from this point of view, a mere nostrum.

* * *

Youth on the Wing

Perhaps, after all, the exigencies of war will loosen some of the shackles round our educational system. A few months ago it was announced that special courses would be started at certain universities for training selected candidates from secondary schools for technical branches of the Army. Now a similar but much wider scheme has been adopted for the R.A.F. An Air Training Corps is to be established to provide pre-entry training for candidates for air crew and technical duties. At the universities a six months' course will be arranged for selected boys between the ages of 17½ and 18½ years, from secondary or public schools, who are potentially of commissioned rank and wish to serve as pilots or navigators. They will be full members of the university and will join the university air squadron, in which they will be given instruction similar to that given at the initial training wings of the R.A.F. At the same time they will pursue a course of study in such R.A.F. subjects as mathematics, mechanics, electricity, engineering, meteorology and navigation, mathematics and one of the other subjects being obligatory. Outside the universities the already existing Air Defence Cadet Corps and the air sections of the Junior Training Corps at schools will be amalgamated with the Air Training Corps, the Government henceforward bearing the cost of the organisation and instruction. The machinery of the Air Defence Cadet Corps will be used to extend the recruiting of local units, and the local authorities will arrange for instruction in mathematics and English for young men suitable for air crew duties. At schools, boys between the ages of 16, or even younger, and 18 will be eligible for a course of instruction similar to that given at an initial training wing of the R.A.F. This three-fold scheme is an unusual, but interesting, development of the modern aim of varying post-primary education to meet varying tastes. But it is, of course, chiefly of importance to the future recruitment for the R.A.F. The Service's high standard of selection is not being lowered, and those who undergo the university or local authority training will still have to complete further training tests in the Service itself before they are finally accepted, while many of the schoolboys who do the school syllabus may be ineligible when the time comes for them to be called up. But those who are accepted will have their initial training behind them, and there will henceforward be a large pool of young men, which, together with the pool formed by the Empire scheme, will mean that the limits of the R.A.F. will continue to be fixed by the number of machines, not men.

* * *

We Were Splendid

The New Year was not unnaturally marked by a mood of mutual congratulation among the people of the English-speaking world. Messages flocked in from the Dominions paying tribute to the way in which the people of this island had borne their trials and tribulations. Articles were written and films—very good films—were shown in the United States to record the gallantry and fortitude of the British people in their ordeal by Blitz. On all sides, we were told that we were splendid, and the admiration of the American people for the way in which we are able to carry on, bombed and on shortening commons, is an appreciable element in the movement of opinion in the United States at this critical juncture. Actually, now that the tributes have been accepted with a fitting modesty, it is probably time that our sense of humour—and of proportion—reasserted itself. The truth is that, for the vast majority

of the population—even in the towns and even in the London area—the ordeal in its grimmer aspects has been largely confined to the newspapers. The much-heralded bogey of bombardment from the air has so far been a flop, and to deny this possibly undramatic conclusion is to pay the *Luftwaffe* a tribute that it has not earned. For it is ultimately to the *Luftwaffe* that some part at least of these congratulations on our survival through a reign of terror must inevitably pass. There has been no reign of terror. The surprisingly small part of the population which has suffered direct bombing has suffered cruelly—and with a gallantry that deserves every praise. There has undoubtedly been a great deal of damage to property. Some people have lost their livelihoods, and the nation has lost many treasures. But most of us in the bombed areas have only been sometimes very frightened, and very often considerably inconvenienced. The really important thing about the so-called *Blitzkrieg* so far has been its failure. It has failed to upset the ordinary, normal routine of existence in the towns attacked for any appreciable length of time—except for the few bombed-out or bereaved, mass-sheltering, except for the fact that in many cases the shelterers' homes are scarcely more comfortable than the tube shelters, is a habit rather than a necessity; and the majority of us would be wanting in honesty if we allowed ourselves to be acclaimed *en bloc* as heroes, when neither bombing nor the Atlantic blockade has imposed any great burden or sacrifice upon most of us yet. Let the praise go generously to the few courageous and unfortunate victims—but for the rest, let it be reserved for the time in the future when possibly worse may befall.

* * *

Shorter Notes

At last Saturday's registration of the 36's, men were, for the first time, allowed to apply to be posted to certain of the civil defence services instead of one of the three fighting services. In addition, as the number of men giving a preference for the Navy has been much greater than the service can absorb, volunteers will be given the chance of being trained for the Merchant Navy instead of being automatically posted to the Army.

*

Lord Lloyd, Secretary of State for the Colonies, is to be the Leader of the House of Lords in place of Lord Halifax.

* *

Sir William Beveridge, who since last spring has been chairman of the manpower survey of the Ministry of Labour, has now been appointed an under-secretary in the Ministry. He will, therefore, have administrative instead of purely advisory functions, and will *inter alia* be responsible for the revision of the schedule of Reserved Occupations.

*

A Cultural Convention, the first of its kind ever signed between Great Britain and a foreign country, has been concluded with Greece. Its aim is to ensure that in time of peace the friendly collaboration bred of the war will be continued, and it is particularly concerned with encouraging the work of the British Institute in Athens, where 3,000 students are already studying.

*

It seems likely that Thailand is going to offer Japan a first-class excuse for intervening in Indo-China. In this week's fighting, Thai troops have broken into Cambodia and the advance continues.

*

Two Orders have been made under the defence regulations authorising the General Medical Council to include in the Medical Register, first, doctors of United States or British nationality, qualified to practise in the United States or Canada, and, secondly, doctors qualified to practise in any part of the British Empire, the countries of our Allies, or in Germany or Italy. The object of the Orders is to enable the doctors to be employed in the Emergency Medical Service, the fighting Services and in civil hospitals, and the second Order precludes doctors covered by it from undertaking private practice.

*

Mr. Menzies, Prime Minister of Australia, is to visit England for personal consultations with the British Government.

THE WORLD OVERSEAS

America's Hopes and Fears

(From Our Washington Correspondent)

THE past month has been spent in the doldrums. Through the last weeks of partisan fervour, every one accepted the necessity of postponing almost any kind of action until after the election. As soon as the results of the vote were known citizens called on each other to close the ranks of national unity so that the nation might move forward. But to date a positive direction is lacking.

There will have to be some plain speaking before such a direction is found. The re-election of Mr Roosevelt was a vote for the party which the people generally believed would take a more active part in the war than its opponent. Obviously, domestic issues were to the fore as well as world issues, and there were those who felt that the party more likely to take action was not the party best equipped for what is primarily a large-scale industrial effort. But the mandate given was as clear a mandate as is likely to be received from a vote which combines expression of hopes and fears for the future with judgment on the accumulated grievances of the past. But how to phrase the mandate thus given? The current national confusion is, ironically enough, chiefly a matter of phraseology. Mr Churchill's plain speaking was an anticipated outcome of a change based on popular feeling that too little was being done. Mr Churchill could break with the past. In the American election, the government already in power was felt to be the administration that would do more than the alternative administration. Mr Roosevelt is therefore faced with a mandate to do more, and yet with a necessity of doing it so as to protect the previous record.

At three points in the recent past, stop-gap action has been taken under pressure, and the line of least resistance, adopted to effect the action in time, is now a cordon across the nation's path.

The first of these was the amendment of the neutrality legislation. The majority of the American people was restive under the restrictions the law imposed. At the same time, the country as a whole was—and is—psychopathically sensitive to the slogans which have grown up these last twenty years around our “involvement” in the last war and our determination not to be “drawn in” again. Congress is even more sensitive than the country. The politically expedient way of satisfying both the requirement that current slogans be maintained, and the requirement that materials be released in support of our interests abroad, was to present the amendment to the neutrality legislation as something which would make us still more neutral than in the past—to show how hardship had been worked by the previous operation of the law and how an even break could be offered under the revised conditions. This tactic secured quick revision, and action under the new rules. But it left a record of subscribing to the slogans.

This past summer highly important immediate action was obtained, and the future record confused, by the William Allen White Committee. This Committee grew out of a non-partisan citizens' group formed at the time of the neutrality law revision. Its appeal was based on the reality of American interest in the defeat of the totalitarian powers, and the desirability of aid to the Allies—later, aid to Britain—as a means of supporting that interest. With a transcontinental speed that was spectacular, state and local sub-groups of the Committee sprang up across the country. The backing provided for the President by this Committee was a major factor in making the destroyer-base deal a political possibility in the midst of a campaign. In less spectacular matters as well, in literature for distribution, in radio and platform speeches, the Committee has helped the country hammer out, over these months, a concept of what its vital interests are.

But the White Committee was set up for aid to Britain “short of war.” To part of its membership the Committee, like the neutrality legislation, seemed to be offering a substitute for war which therefore satisfied the old slogans about involvement. But the inadequacy of the substitute is now becoming apparent. As the war moves from land to sea, sending the kind of aid needed by Britain becomes more and more difficult to distinguish from participation—specifically in such matters as ships and convoys. So, the short-term objective of the Committee having been accomplished, confusion arises as to whether henceforth to sponsor only aid to Britain short of war or aid to Britain come what may.

And while this confusion is weakening the White Committee, a rival committee is getting under way. One of the disquieting facts of the last weeks of the campaign was the collection around the Republican candidate of the extremes of both right and left, industrial appeasers, social reactionaries and left wing labour, in a manner banefully reminiscent of past history in other democracies. Now that the election is over, representatives of these factions are maintaining contact through the America First Committee, whose announced purpose is “Let's defend America . . . first. Let's not get into somebody else's war by default. Let us act.”

The nucleus of this group is in the wealthy Republican suburbs of Chicago's North Shore. Among its first collateral members was Charles Lindbergh; his name has since been removed from the executive committee, but he is being used by the committee to address college groups. Another collateral member is Kathryn Lewis, daughter of John L. Lewis. A third is Mrs Burton K. Wheeler, wife of the isolationist Senator. Most important figure outside the Middle-western nucleus is William R. Castle, former Secretary of State under President Hoover and one of the sponsors of the latter's plan for feeding Europe, and strategist-in-chief of the movement in the country against support of Britain.

Fresh on the scene and very clear as to its current direction, the America First Committee is taking the field against the White Committee, which it is calling, through the Chicago Tribune, the America Second Committee.

Arming Not to Fight

The third source of current confusion is the language in which the present American armament effort has been stated to the country. Someone has said that the country has been preparing about as vigorously as a prize-fighter trains for a fight that he fully expects to be called off. True, we have voted our first peace-time selective service, but did not both parties make campaign pledges to keep the boys at home? And we do not really think any one is going to come and get us over here.

The defence programme has so far been presented to the people as a substitute for war. Given adequate armament, the argument has run, the United States can keep out of war since she will not be a tempting prospect for attack. An armament effort on a certain scale and of a certain degree of intensity can be conducted on such a basis. But a larger effort cannot. Moreover, the question is being raised as to whether the attack is in prospect or whether it has not already taken place.

These are the reasons why some plain speaking is now in order. Too much of what has so far been done has been carried through by means of tactics that are successful in producing quick action for limited ends, but which are of little use in preparing the country for a long haul.

In this country, as elsewhere, the search for a sub-

stitute for war has to give way to a search for a substitute for defeat. The country feels it. A sense of urgency is accumulating, a sense of living on borrowed time, pressing the administration to shake off these verbal confusions, and cease to be a prisoner of words in time to avoid becoming a prisoner of events. The effort which the American people has so far been asked to make is negligible in comparison with the effort it is ready to muster.

The country is in the doldrums. But the President is in the Caribbean. Perhaps on his return he will announce the finding of a trade wind there.

December 13th.

Industrialisation in Hungary

[BY A CORRESPONDENT]

HUNGARY'S successive territorial acquisitions since the first Vienna award in November, 1938, have brought her also considerable economic gains. To mention only the most direct, they make her virtually self-sufficient in timber, previously the main item of imports, supply her with a variety of mineral resources, and at the same time provide bigger markets for her industry.

However, this is only one side of the picture. The almost continuous state of military mobilisation during the last two years has placed a heavy burden on the country's finances and whole economy. The intensified blockade is depriving her of various essential raw materials, textiles and metallurgy, the two leading industries, being the main sufferers in this respect. Meanwhile, the economic "co-operation" imposed by Germany, which makes the whole production system a subordinate part of the German war machine, is beginning to show its devastating effects. Even these losses, serious as they are, might be considered as of a passing character, to be made good in the course of time, and probably at a not too exacting price for the fulfilment of the greater part of Hungary's revisionist ambitions without bloodshed—were they to be the whole price.

More menacing and deeper in its implications, however, than the immediate economic devastation is the long-term prospect for Hungary's economy under the New Order. In fact, it is not so much the present situation that points to the true dangers as a clash of interests long apparent—and long perceived by many Hungarian statesmen.

After 1919, Hungary's agrarian problem became an increasingly acute one. Not only did she lose a preferential market of some 50 million inhabitants for her produce, but the world-wide restrictions imposed on mass immigration deprived her of an important former channel of relieving pressure on the land. In addition, the land distribution carried out in neighbouring agrarian states, and the reluctance of her Government to follow suit, not unnaturally increased further social discontent and became the main force behind the extremist current in Hungarian politics.

Among the various measures designed to counteract this growing menace to economic and social stability, by far the most important, though perhaps the least spectacular, has been Hungary's persevering policy of economic readaptation by industrialisation, coupled later with an expansion of exports. The industrialisation policy was put in hand long before, and independently of, the world agricultural crisis of 1931; this may account for its more solid foundation as compared with "hothouse industries" in some other agricultural countries. It was ably assisted by the Hungarian banking system, which has been signally successful, not only in canalising the national savings, but also in securing foreign loans, in particular short-term credits, to finance the execution of the programme.

The 1931 crisis slowed up the process, partly by its repercussions on the banking position and partly by diverting the administration's attention to the more pressing immediate aspects of the agricultural situation. Nevertheless, after a short setback, industrial production has continued to rise: the index of industrial output, after dropping to 77 in 1931, rose to a peak of 144.6 in the third quarter of 1937, subsequently falling around 130 (1929=100). The number of workers employed

in industry has nearly doubled between 1921 and 1938, and in the latter year industry earned about one quarter of the national income. In 1938 industry accounted for nearly 40 per cent. of Hungary's exports—an even more significant figure.

Progress of Exports

When Hungary embarked on a centrally directed export policy, largely as a counter-measure to the crisis of 1931, particular attention was given right from the beginning to the development of industrial exports. These were encouraged, at first, by an ingenious system of special exchange premiums, but gradually became self-paying; and an increasingly wide market has been found for a variety of industrial products, with electrical machinery and apparatus, other machinery, iron semi-manufactures and iron goods heading the list. The main markets for industrial products were, naturally, the adjacent Balkan countries, and as these were being looked upon by Germany increasingly as her exclusive trading territory, especially for manufactured goods, a conflict of interests was bound to arise sooner or later in these markets. In due course, German manufacturing interests were beginning to look askance on Hungarian trade activities and went so far even as to use open pressure to restrict them, through Hungarian agricultural interests, and with the use of German imports as a leverage.

It should be borne in mind that direct trade relations between the two countries, though long-standing and cordial, had not been at all exclusive until fairly recently. In fact, it was the creation of the Axis in 1937 and the subsequent events in Central Europe, notably the incorporation of Austria in the Reich, that have changed the situation rapidly and radically, increasing Germany's share in Hungary's exports from 28 per cent. in 1936 to 50 per cent. in 1938 and at least 80 per cent. (estimated) in 1939.

That this spectacular expansion was not to the liking of at least some of Hungary's political leaders, aware of the price to be paid ultimately for complying with Germany's terms, became evident when official attempts were initiated by Hungary, as far back as in 1937, to draw closer together the neighbouring countries of South Eastern Europe, by composing outstanding political differences and forming an economic bloc. It is, of course, past history now that, owing to reciprocal lack of understanding, the diplomatic negotiations came to nothing, except perhaps for the reflection that they might have decisively influenced the course of present happenings, and for the possible teaching they may contain for the more distant future in that unsettled part of the world.

As for the future of Hungary in particular, there can be little doubt in the minds of her more clear-sighted statesmen that Germany's New Order is, in the long run, diametrically opposed to Hungary's vital interests. The German *Grosswirtschaftsraum* contains no room for competitive industries. Hungary, who has been trying, and not unsuccessfully as some of the figures quoted above suggest, to relieve pressure on the land by industrialisation, would therefore be faced with the prospect of her industries being scrapped and the town population driven back to the already overpopulated land.

January 11th.

Shanghai's Commercial Importance

[FROM OUR SHANGHAI CORRESPONDENT]

WHAT remains of China's foreign trade continues to concentrate upon Shanghai. The reopening of the Burma Road somewhat revived foreign commercial intercourse with Free China, but everywhere along the South China coast trade is still deteriorating. In North China, Japanese trade control has become so tight as to reduce to unprecedented low levels that part of the country's imports and exports. Yet Shanghai, however much harassed by Japanese commodity regulations in the hinterland, still retains free access to the sea, an uncontrolled exchange market, and the most important

manufacturing industries in all China. These three factors, against the background of extraordinary trade obstacles everywhere else in China, to-day bestow upon Shanghai a larger share in Chinese trade than for a long time past. This autumn, Shanghai alone turned over 66 per cent. of the value of China's total foreign commerce. The following details are based upon the Chinese Maritime Customs reports, with due adjustment made on account of the artificial threefold over-valuation of North China's trade figures.

Exports from China in the autumn of this year averaged £2,500,000 a month, whereof Shanghai shipped £2,000,000—that is, four-fifths. North and South China share in equal proportions in the remaining fifth. North China is ahead of Shanghai in shipments of furs, skins and egg products to Anglo-Saxon countries, and in exports of coal to Japan, but Shanghai has the lead in all other products, including textiles, bristles, vegetable oils, seeds, tea, and even metals and ores. The backbone of Shanghai's exports (amounting to over £1 million a month) is textiles (about half silk and half all cotton fibres and goods), which form 95 per cent. of all exports, and 44 per cent. of all exports from China. Shanghai's all-important customers are the two Anglo-Saxon powers with a combined share of 85 per cent. (United States 45, British Empire 40 per cent.) in local sales abroad, while Shanghai shipments to the Japanese Empire accounted for but 8.5 per cent. of all local exports.

China's imports this autumn maintained a level of £7,000,000 a month, whereof slightly more than 50 per cent. entered the country via Shanghai. North China and South China each shared with a little less than 25 per cent. in the remainder of these imports. Some 17,000 tons of raw cotton worth over £1,000,000 a month, imported on account of the local cotton mills, form the most important single item of current Chinese imports, and almost one-third of Shanghai's imports. Other large shares in local imports are as follows:—cereals, other foodstuffs, and tobacco leaf—17 per cent.; metals, chiefly iron and steel—16 per cent.; paper—6.5 per cent.; wool and woollen goods—6.5 per cent. Most of the remainder consists of mineral oils, chemicals and pharmaceuticals, as well as dyes. In North China, foodstuffs account for 30 per cent. of current imports, and metals for another 20 per cent. There, the Japanese now reserve for Japan proper and her colonies a dominating import share of 80 per cent., but in Shanghai's imports the Anglo-Saxon Powers continue to lead with a share of 70 per cent. (United States—36; British Empire—34 per cent.). In South China imports (mostly transacted via Ningpo, Kowloon and Luichow), Japanese goods are of little or no consequence.

November 6th.

Agriculture and Trade in Eire

[FROM OUR DUBLIN CORRESPONDENT]

At the annual general meeting of the Agricultural Credit Corporation, the Chairman stated that the amount borrowed by farmers during the year was less than last year. Although agricultural prices have risen, the prevailing uncertainty makes borrowers hesitate to undertake new commitments and the demand for long period loans for permanent improvements has diminished. This reluctance to borrow is partly the result of the shortage of materials on which the proceeds of loans would normally be spent. The Irish farmer's position has improved in strength and liquidity, and this improvement is shown in the repayment of the Corporation's advances. The season has been a good one for mixed dairy farming. Weather conditions favoured an abundant yield and a successful harvest, and those farmers who produced their own supplies of feeding stuffs have enjoyed a prosperous year. The area to be compulsorily tilled in 1941 on all holdings of more than ten acres has been raised to one-fifth of the arable land.

The guaranteed prices of wheat and beet have been increased and there has been a general rise of agricultural prices. The index number of agricultural prices (1911-13=100) rose from 126.8 in September, 1939, to

152.2 in October, 1940. This rise is one of the principal factors that have converted the passive balance of trade into an active balance for the first time in the history of Eire. In October exports exceeded imports by £45,641 and in November by £513,813. While this development is naturally regarded as favourable by all those who appreciate the importance of conserving the country's sterling resources, it is less welcome to the extent that it reflects a reduction of imports caused by the circumstances of the war at sea. Indeed the possibility of an acute shortage of imports of many essential commodities was mentioned by Mr. de Valera in his Christmas broadcast message, in which he described Eire as "the most effectively blockaded country in Europe."

Electricity from Peat

Considerable attention has been directed recently to the problem of generating electricity from peat, and a large-scale experiment is to be undertaken. The desirability of utilising the vast deposits of peat is a matter on which there is no difference of opinion, but there is prevalent a certain degree of scepticism regarding the possibility of success. The failure of previous schemes is, however, no reason for neglecting further research, and the conditions of the proposed experiment are quite different from those that existed in the past. New methods of saving and drying the peat by means of mechanical appliances are to be tried, and transport charges will be minimised by locating the generating station on the bog. There will thus be realised the engineer's ideal of generating "at the pit's mouth." The technical problems involved are relatively simple, the real difficulty being one of cost.

Figures have been published by the Government which suggest that the cost of generation from peat compares favourably with that of generation from coal, but less favourably with that of generation at the Shannon plant. Small differences in cost are no reason for not developing every type of generating plant. The hydro-electric stations are, to some extent, at the mercy of the weather, while the coal-driven plants necessitate large imports of coal. The proposed peat scheme avoids both these difficulties, and it certainly deserves the most careful and extended trial. It must not be overlooked that, with the stripping of the bogs, new arable land will appear and a double advantage will thus be secured. The problem of peat utilisation can never be studied apart from the closely allied problem of land reclamation.

December 27th.

The Egyptian Stock Markets Recover

[FROM OUR ALEXANDRIA CORRESPONDENT]

THE market recovery has been carried a stage further in recent weeks, and although the present situation cannot bear comparison with the conditions ruling at the height of the war boom towards the end of 1939, striking progress has been achieved since August. The slowness of the Italian campaigns against Egypt and Greece, together with the strengthening of the British forces in the Middle East, have gone far to dispel fears of invasion. On the other hand, the rapid implementing of the Anglo-Egyptian cotton agreement has restored life to an economic system based chiefly on cotton production.

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., V.A. Bog, Esq., Vice-Presidents.
Jackson Dods, G. W. Spinney, Gen. Managers.
The Most Honourable The Marquess of Willington, P.C.,
G.C.S.I., G.C.M.G., G.C.I.E., G.B.E. (Chairman).
F. R. S. Balfour, Esq., Sir Hardman Lever, Bart., K.C.B.,
Sir Frederick Williams-Taylor.
London Offices: 7 Threadneedle Street, E.C.2 (Edward Pope, Manager)
9 Waterloo Place, Pall Mall, S.W.1 (J. H. Pangman, Manager)
The Bank undertakes general banking business and with its numerous branches offers special facilities in Canada, Newfoundland and the United States.

Almost one-third of the whole crop has already been received and paid by the British buying commission within the past ten weeks. Nevertheless, in view of future uncertainties, the authorities have advised growers voluntarily to curtail next season's acreage inasmuch as Egyptian wheat is in increasing demand by the Near East.

The stock market has now completely thawed, and prices in many cases have advanced appreciably beyond last April's official limits, which, incidentally, were considerably above the minimum prices introduced at the outbreak of war. Were it not for the fear of damage from the recently intensified air attacks, industrials would be quoted still higher. With the prospect of a protracted struggle it is now fully realised how much Egypt is losing for having failed, prior to hostilities, to carry through some important and long debated projects such as the utilisation of the Aswan dam waterfalls, which would have relieved the problems of fuel and fertilisers (a major consideration with an agricultural country) and allowed the exploitation of the Aswan iron ore deposits.

The policy of budget economies at the expense of productive public works is evoking much criticism, not only because of the resulting unemployment, but also because land reclamation would lessen the great pressure of population. It is pointed out that, in consequence of Egypt's non-belligerency, expenditure for national defence is not of such a size as to hold up progress in the civil sphere, and with the recent accession to the premiership of Hussein Sirry Pasha, an engineer who made his career in the Ministry of Public Works, this criticism may well bear fruit.

December 2nd.

Money and Production in the United States

[FROM OUR NEW YORK CORRESPONDENT]

THIS correspondence has already several times referred to the basic revisions of thinking necessitated by the revision of the Federal Reserve index of production. It is the habit of statisticians to expect conventional, if somewhat loose, similarity among the four common types of statistical series—those relating to production, to employment, to prices and to money.

It had for some years been increasingly difficult to relate the money and credit series to the production index. Over the past, there had been a noticeable relation between the volume of money and the volume of production, and its price level. But as the quantity of money (deposits and currency) increased without anything that could be termed a corresponding increase in production and prices, commentators were hard put to it to rationalise the divergence. Happily for the commentators, this problem has been solved by the new production index, which seems to exhibit the conventional behaviourism. The "curve" of money and the "curve" of production now "fit" quite well, bringing peace of mind to the statistician.

The following tables show some elements of the money position over the last six months:—

RESERVE BANK ITEMS (\$000,000)			
	May 29	Aug. 28	Nov. 27
Gold stock	19,162	20,871	21,755
Gold certificates	16,935	18,562	19,546
Government securities	2,477	2,442	2,204
Member bank reserves	13,215	13,516	14,292
Treasury deposits	378	813	199
Non-member deposits	1,203	1,759	1,963
F.R. notes in circulation	5,038	5,334	5,703
Total money in circulation	7,685	8,006	8,465

The increase in the gold stock in the three months ended November was only about half that of the previous three months. Enormous as it was, it represented the first major diminution of the gold flow for a long time. In its major outlines, however, the last three months have not deviated from the familiar pattern. The gold inflow has been large; it has been monetised in the form of gold certificates; and the bulk of the monetised gold has gone to an increase in member bank cash.

Full Employment Approaching?

The duration of this movement has blunted the edge of concern with which it was initially considered. It became so familiar from month to month and from year to year that comment became first repetitious, then monotonous, and then, to the listener, trite. Only the "professional worriers" occupied themselves with it. Indeed, as long as the economy provided less than full employment of men and material, this expansion could be justified on the familiar argument that it "tended" to increase production and employment. It is, of course, difficult to determine when an economy has arrived at full employment of men and material; full employment of material is an elastic expression, and full employment of manpower is difficult to determine from our sketchy employment data. One acceptable criterion is the time when the impact of demand on capacity begins to be widely felt in prices. Of this, there is little evidence yet in the price indices, except in specific instances. Indeed, in the current boom, price has figured less than in the 1936-37 boomlet. But the growing reports of difficulty in securing deliveries, and the growing demand for the establishment of a system of priorities, together with an increased frequency of reference to an imminent need of price controls, may be accepted as evidence that the supply-demand relation is quite different from that of recent years. It is against this background that one should read the remarks of Mr Eccles, Chairman of the Board of Governors of the Federal Reserve System. In the past week he made a number of proposals, looking in the direction of resisting an indefinite and unlimited expansion of credit. These proposals are presumably to be taken as suggestions rather than as a programme; but they are significant as evidence of a development of concern over problems long recognised, whose solution could justifiably be defined up to a certain time, but which cannot be indefinitely ignored.

December 7th.

Chilean Foreign Debt

[FROM OUR SANTIAGO CORRESPONDENT]

A DECREE has just been issued suspending the amortisation and purchase of depreciated bonds in the open market until such time as the President of the Republic considers justified. Interest on the debt will however, continue to be paid according to existing arrangements. This step is not unforeseen, since there has been a marked scarcity of dollar exchange in Chile for some months past, and the country was rapidly heading towards inflation and economic collapse. The sum of six million dollars will be transferred immediately from the Amortisation Bank to the market, and will have a tonic effect on the general well-being of the country. These funds will eventually be returned to the Mortgage Bank when Chile can obtain foreign loans as outlined in the law relating to reconstruction and development dated April 28, 1939, and with the approval and consent of the President of the Republic.

While regretting the step taken, the Government bases its decision on the pertinent part of the 1925 report of the American Debt Funding Commission, which relates to a country's capacity to pay, stating that such payments should only be made after a country's budget, finances, etc., are placed in a strong position, and, if possible, after improving the standard of living of the country's inhabitants. Though the step now taken will be detrimental to the country's financial prestige, bondholders should bear in mind that Chile has suffered many and varied vicissitudes during the past few years, and it is not lack of willingness to comply, but rather inability to do so, that has caused the Government to take such an important decision. In fact, it is surprising that, in a country where the standard of living is so low, the decision has not been taken sooner.

The earthquake of January, 1939, was a great strain on the country's resources, and taxation was raised to the limit but proved to be insufficient to create order out of chaos. After this, the war closed European markets to Chile, and it will take some more months before a complete redistribution of markets is found. Meantime, Chile must purchase from abroad, and the suspension of amortisation and purchase of bonds will have a tonic effect on the economic life of the country.

December 5th.

Germany at War

Stock Exchange Boom.—The German stock exchanges have been extremely firm for several months, owing to the abundance of ready money. Credit expansion, on the one hand, and shortage of goods and investment restrictions, on the other, have produced a steady large demand from the public. Official sources are anxious to deny inflation, and claim that there is merely some disproportion between investment demands and the stocks available. They also say that German investors are ready to pay ever-rising prices for shares in anticipation of the tremendous boom that will follow Germany's victory. The Government is anxious, however, to mop up the surplus funds. In 1940, two series of 4 per cent. medium-dated Treasury bonds were issued, subscriptions amounting to Rm.6 milliards. Apart from Government borrowing there is a strict limitation or even embargo of new issues, and new share issues amounted to only Rm.300 millions during the first half of 1940. The Treasury also endeavoured by other means to keep investors away from the share market. The number of shares in which dealings are permitted is steadily diminishing.

Recently published figures show that 448 shares with a nominal capital of 7.6 milliards were quoted on the Berlin stock exchange at the end of the first half of 1940, their actual market value then being 11.3 milliards, which represents 148 per cent. of their face value, against 123 per cent. a year ago. Compared with the highest prices in 1939, 25 leading shares rose from 137 to 185, and 15 gilt-edged from 102 to 105 in December last. The improvement was moderate during the first half of the year, but later a formidable boom took place. In a few months iron and coal shares, as well as textiles, rose 20 per cent., cars 25 per cent., and shipping shares, which had jumped by about 40 per cent. in the first six months, a further 10 per cent. There was a special boom in colonial shares—apparently in anticipation of getting colonies after the war—and the price of these shares roughly doubled. There are still 44 colonial companies in Germany, of which the Otavi Mines and Railways Company is the most important.

European Cellulose Cartel.—The new cartel includes the chief European cellulose producers and exporters, Germany, and Slovakia, as well as the Scandinavian countries, Sweden, Norway and Finland. As a consequence of the war, Scandinavian cellulose exports, which went mainly to Great Britain and U.S.A., have virtually ceased. Germany has stepped in as a customer in their place. The cartel is destined for peace-time conditions and will not start to function until then. Intermediate arrangements mainly concern Scandinavian deliveries to France, Belgium, Holland and Italy. The final cartel is intended to be less for the regulation of production than for the control of exports, prices and sales.

The Housing Shortage.—According to official estimates, there is at present a shortage of 1.4 million dwellings in Germany (quoted from the *Kölnischer Zeitung*, November 20th). The scientific institute of the German Labour Front has recently stated that this figure must be added to the two million dwellings needed to rehouse people who are now living in slums; the replacement demand for houses during the next 20 years is estimated at 1.1 million; and another 1.6 million dwellings will have to be provided to house the natural increase of families. Thus, on the basis of this estimate there will be a housing need during the next 20 years of 6.1 million dwellings.

Rationing.—The administration for textiles (*Sonderbeauftragter für die Spinnstoffwirtschaft*) issued a decree some time ago suspending, from December 1st, the arrangement whereby men's winter overcoats could be bought against clothing ration cards. Efforts are again being made to direct consumers' demands away from leather shoes. Ladies' shoes with flexible wooden soles and leather uppers are described as the latest winter

fashion. Walking shoes obtainable without a permit now include types with soles of used or waste leather, rubber or synthetic fibre, and uppers of fish or rabbit skins. Previously this exemption from permit had only applied to shoes with wooden soles. An association for promoting the use of pigskin has been founded, pigskin having proved suitable for both, for the soles and uppers of shoes. The Price Commission has announced that owing to changes in fashions and raw materials the retail price of shoes will no longer be calculated on the basis of the 1934 price. Instead, retail profit margins varying from 27 per cent. to 60 per cent. of wholesale prices have been fixed. The change will not alter the average retail price level, but will cause prices to fall slightly for cheaper shoes and to increase for ladies' luxury shoes.

Deutsche Bank.—The Deutsche Bank (formerly Deutsche Bank-Diskontogesellschaft), first among the big German banks since the crisis of 1931, is raising its capital from 130 to 160 million marks. It is believed that the Dresdner Bank, the capital of which amounts to 130 millions at present, will follow with a similar step. The need for new capital is explained by the extension of activities in the occupied territories. The Deutsche Bank recently acquired most of the shares of the Boehmische Unionbank (stock capital 100 million Kr.) and of the Amsterdam Bank De Bary and Company (15 million fl.) Ordinary business scarcely requires more capital. According to an announcement of the board of the Deutsche Bank normal business has fallen in recent months, and an increasing percentage of deposits can only be invested in Treasury bills.

Damage and Compensation in Norway.—War damage to movable property (cattle, tools, machinery, materials) in Norway, is now estimated to have been 95 million Kr. It is expected to be covered partly by a premium of 1 per cent. which has to be paid by the proprietors of such property who are insured against fire. This will cover 30 millions, the remainder to be paid by the State. The damage done to buildings is said to amount to 200 million Kr. comprising 13,000 cases, about 3,000 of which, to the value of 60 million Kr., have been dealt with, though only 4 million Kr. was actually granted. Those insured against damage to buildings must pay a premium of 1 per cent. for a period of 5 years, the first instalment being due on February 1, 1941. Those who pay the full amount immediately will be entitled to 10 per cent. rebate. This is expected to yield 115 millions, as the rest will have to be paid by the State. This 295 million Kr. (1 Kr. was equal to about a shilling before the occupation) is not the entire war damage. This is estimated to be half a milliard Kroner, including the damage inflicted upon railways, bridges, municipal property, and losses due to Army requisitions.

PROVISION FOR DEPENDANTS

There is no better way of providing for those dependent upon you than by effecting a Whole Life Assurance under *The Distinctive System* of this Institution, which combines Low Premiums with the right to share in the Surplus.

The Premiums may be paid throughout life or limited to a specified number, thus relieving the Assured in the later years when, owing to retirement, income may be reduced.

● Write for *The Distinctive System* booklet

The Scottish Provident Institution
HEAD OFFICE - - - 6 St. Andrew Square, EDINBURGH
FUNDS EXCEED £25,000,000
Founded for Mutual Life Assurance in 1837

of the clearing banks were something over £2 millions higher last year than in 1939. But every institution, except Martins, has reported net figures which are lower than those of the preceding year, and bring the total for all the banks to the lowest figure since the slump of the early 30's.

The discrepancy between the computed gross figures and the published net profit returns is doubtless of merely academic interest to holders of bank shares, whose dividends are unchanged in every case and have been earned with a satisfactory margin. But it demands explanation, in view of the probability that the explanatory factors will have some continued bearing on the banks' experience under war-time conditions. Expenses, beyond doubt, have sharply increased. A.R.P. costs fall particularly heavily on institutions which have thousands of buildings throughout the country, and in the banks' case air-raid precautions have included the duplication and re-distribution of records on a large scale, involving much extra clerical labour. The banks also have shown an enlightened policy in their treatment of the many members of their staff now with the Services, whose departure has itself entailed much rearrangement of duties and the training of temporary substitutes. But the most serious factor in reduced published earnings has been higher taxation, and it is regrettable, in view of recent changes in the income tax rate, that the absence of any indication in the published returns of the actual rate at which the latest tax deductions have been made precludes, on this occasion, the possibility of "grossing up" to obtain a reliable net profits figure before tax. All that can safely be said is that earnings after deducting working expenses, but before deducting tax, must have been not far removed, one way or the other, from those of the preceding year, which included nine months of peace-cum-rearmament.

The banks, like all other business concerns, are subject to 100 per cent. E.P.T., which means that whatever the Government pays them for their part in financing its war effort will automatically return to the Treasury. In fact, the banks' E.P.T. years were prosperous, by the standard of the last decade, and true net earnings may have a little way to go still before any E.P.T. payment exceeds the amount the banks are already paying in N.D.C. As a limiting factor on future earnings, however, E.P.T. would assume particular importance if interest rates, and the costs of war finance generally, were to rise, as a result of the development of inflationary conditions, or for any other reason. At the moment there is no sign of any hardening in the rates paid for Government borrowing—the tendency, indeed, is rather the other way. Of greater significance, is the probability that the average level of the more important types of banking assets during 1941

will vary materially from that of 1940. The banks' holdings of Treasury bills, whose rise was the most conspicuous feature of their average experience in 1940, have already begun to fall, as a result of the Treasury's decision, last July, largely to disregard that method of finance in favour of the Treasury deposit system. Under this system, the banks are informed each Friday of the amount the Treasury expects to require from them during the next week. Already the total holdings of the banks in Treasury deposits run into hundreds of millions, and the increase in that item during 1941 is bound to be substantial and continuous. From the viewpoint of bank earnings, the difference between a "portfolio" of Treasury bills or of Treasury deposits is largely academic, for the interest return is much the same on both. There is bound, also, to be a further increase in the banks' holdings of Government securities, as they take up their fair share of the new National War Bonds and Savings Bonds.

For the rest, the banks' experience will be governed by the incalculable factor of the general price level. For the most part, the decline in advances has been due to the repayment of loans for Stock Exchange and "finance" purposes generally, and though the accommodation given to producers under the war programme has been kept down to a satisfactory working level by close co-operation between the banks and the Government Supply Departments, the attainment of peak war production may well involve some further call on the banks' resources. More generally, there is a good deal of evidence that in 1940 the average turnover of bank deposits was appreciably reduced, mainly on account of various restraints on spending, some psychological and some, like the effects of business provisions for air-raid damage (actual or prospective), essentially physical. These restraining causes may not operate in the same degree in 1941.

Thus the omens favour a further rise in the banks' gross profits in the coming year, but that will be a matter of purely platonic interest to shareholders so long as 100 per cent. E.P.T. enables the Government to take away with one hand what it gives with the other. The result of a war fought and financed under the conditions obtaining to-day, indeed, is likely to be, not the battening of a sinister financial interest on the community which publicists of a certain political complexion profess to discover in our banking system, but rather a still closer identification of that system with the policy of the Government. In war-time, the rôle of finance, though essential, is subordinate to the main task of directing a maximum part of the national income to the purposes of victory. And the banks' status as an executive arm of the authorities is clearly defined for the war's duration, and possibly for a long time afterwards.

Finance and Banking

Big Money Turnover

The turnover in the money market has been somewhat greater than is normally the case at around the middle of the month. It has been fed by Treasury payments for the dollar securities included in the last but one vesting order and by the dividends on Government debt due on January 15th. On the other hand, the banks have found themselves called upon to make substantial tax payments to the Exchequer, while this week they have had to pay £15,000,000 in Treasury deposits, no part of which was compensated by maturities. This increased activity has occurred on the basis of an abundant supply of credit and at no time has it caused the slightest strain on the money position. The banks have been ready buyers of bills at 1 per cent. while bond money—now in greater supply since some "outside" banks are longer interested in the Treasury bill tender—has been available at $\frac{3}{4}$ per cent. The discount market is still waiting for the reward of its penance in applying for the 90-day bills at the high price of £99 15s. On Friday of last week it obtained an allotment of 36 per cent. on this basis, and the average rate of discount for the £65,000,000 bills issued worked out at £1 0s. 2.01d. per cent. The rate should improve slightly next month when the normal currency of the bills to be tendered for will be 89 days. Assuming the syndicate

does not increase its price for these to £99 15s. 1d. the turn should become rather more worth while than it is now. But with this development may come a recrudescence of "outside" competition for the bills.

* * *

Empire Assets in U.S.A.

Cabled reports of an article in the latest Federal Reserve Board Bulletin give the first official estimates hitherto made of the total Empire assets invested in gold and in the United States at the outbreak of the war. These are placed at £1,778,750,000 (taking the £ at \$4) of which £684,000,000 represented gold holdings, £394,000,000 accounted for the investments in marketable dollar securities, a further £332,000,000 represented the direct investment in British controlled enterprises in the United States, while £212,000,000 was the total of dollar balances, leaving a balance of £156,000,000 for miscellaneous unclassifiable investments. According to the Federal Reserve Board drafts on these resources for goods actually delivered amount to only £650,000,000. These figures must, of course, be read in the light of the formidable liabilities which have been and are being incurred for goods to be delivered over the coming months. But making the fullest allowance for this fact, they

repeat the warning that recent suggestions about the exhaustion of our available dollar balances must not be confused with the idea that we are coming to the end of the assets which should ultimately be convertible into dollars. The Federal Reserve Bulletin points out that the sales of marketable securities in the American stock markets have proved very modest. Confirmation of this is provided by the U.S. Treasury's statement that negotiations are under way between the British authorities and an important group of American investment trusts for the acquisition by the latter of substantial holdings of British-owned American securities. The group of trusts is, according to other reports, headed by the Tri-Continental Corporation and is negotiating for a deal which would run to about \$600,000,000.

* * *

The Investment of Non-Resident Funds

Certain modifications of the foreign exchange regulations have been made this week with a view to encouraging the investment in sterling securities of funds accumulating here in the accounts of non-residents. If a non-resident wishes to invest his own sterling funds in any sterling security purchased on a Stock Exchange in the United Kingdom, the Bank of England will be prepared to issue at the time of the purchase a licence to sell these securities provided the sale takes place on a Stock Exchange. This licence, which will be given on Form "M," will be valid for an unlimited period. It will provide that the proceeds of the sales of such securities may be credited to the same type of sterling account as that which was debited with the amount required to finance the original purchase. The concession applies to any sterling account in the name of non-residents, other than blocked accounts. The facilities for investing blocked account sterling in certain specified trustee securities have already been defined and are not altered by this latest move. The instructions sent to banks concerning this concession stress that the funds thus invested must belong to the non-residents for whom purchases of sterling securities are made. In no circumstances may funds be advanced to non-residents without the consent of the Bank of England, whether for the purchase of securities or for any other purpose. This new development may go a little way towards solving the problem of sterling balances accumulating here on non-resident account. It will hardly affect balances in registered accounts which, being convertible into dollars or Swiss francs, are in fact remaining at exceptionally low levels. For the rest, it must be evident that income tax levied at the present rate on the income yielded by non-resident sterling investments must be another powerful handicap to the more permanent investment of bank balances. The volume of investment prompted by this latest concession is not therefore likely to prove

considerable. It will certainly not be sufficient to create fears of massive realisation of sterling investments on non-resident account in the event of bad military or political news.

* * *

Discount Company Balance Sheets

The three discount companies have this week published their balance sheets for the end of 1940. They conform fairly closely to one pattern. They show a reduction in the net holding of bills, which for the three companies as a whole is more than offset by an increase in investments. In each case the item of liability in respect of bills rediscounted is well down, indicating the considerable reduction in the turnover of commercial paper. The principal factor at work in the reduction of the bills holding, however, is not to be found in the supply of commercial paper, but in the conversion of Conversion $4\frac{1}{2}$ per cents. which occurred during the past year. The market's substantial holdings of the maturing stock figured in the bill portfolios in the end of 1939 balance sheets. The Conversion 2 per cents. which have taken the place of the $4\frac{1}{2}$'s must be ranked among the

(In £000's)

End of Year	Investments		Bills Discounted		Rediscounts		Net Bill Holding		Net Profits	
	1939	1940	1939	1940	1939	1940	1939	1940	1939	1940
Union Disc.	6,498	19,439	71,230	52,796	10,031	6,336	61,199	46,460	275	230
National Disc.	5,678	18,563	46,378	35,907	7,348	3,848	39,030	32,059	196	188
Alexanders Disc.	5,835	13,637	27,804	20,044	1,037	530	26,767	25,509	177	167
Aggregate	18,011	51,639	145,412	114,747	18,416	10,720	126,996	104,028	648	585
	+33,655		-30,665		-7,696		-22,968		-62	

investments. Allowing for this important shift from the bill to the investment item and for the continued decline in commercial bills, the much increased holding of Treasury bills in the hands of the discount market becomes clearly evident. The comparison of the essential balance sheet items and net profit figures for the past year is given in the accompanying table. The balance sheet of Alexanders Discount Company has been sent to shareholders together with a statement by the Chairman which is to be regarded as taking the place of the speech which would, under normal circumstances, have been delivered at the coming general meeting. In this statement Mr. Colin Campbell points to the trading activities of the Government as one of the principal causes of the decline in commercial bills. He admits that "the bulk of the profits earned has once again been derived from our holding a considerable volume of short dated Government securities" and anticipates that this will continue to be the main source of profit in the current year.

Investment

Re-investment Effects

Although the factors affecting the Stock Exchange in recent weeks are very different from those normally influencing New Year markets, the effect on prices is surprisingly familiar. The rise which is usual at this time is commonly attributed to New Year optimism. Actually, it arises largely from re-investment demand. This time, the strength of this particular factor has been greatly increased by a series of vesting orders, whose effects will be felt until well into March, even if there is no further taking over of securities by the Treasury during the coming month. While it is quite impossible to estimate the amount of money involved in the various calls, it certainly runs into some tens of millions spread over the past quarter, and this, added to the normal re-investment demand, is quite sufficient to account for the general strength of markets. In this rise, the Funds no longer give the lead, and it is quite clear that, although the new "tap" issues of bonds are meeting with a fair response, as is shown by the demand of £20,769,347, for the new National War Bonds and £17,527,563, for the 3 per cent. Savings Bonds in a fortnight, they are by no means sweeping the board. Purchases of Government stocks have perhaps been concentrated on the tap issues on some days, but

recently there has been a revival of interest in existing issues and the *Financial News* index for fixed interest securities has once more started to rise. It remains to be seen whether the passing of the lead to equities during the week has been due to a change in outlook or to the popularity of the new 3 per cent. Savings Bonds. What is quite certain is that, of the very restricted business passing, a fair proportion is going into the industrial market, and there is a growing tendency to split re-investment money between the Funds and industrial equities which promise a rather better yield with, possibly, some hope of eventual capital appreciation. The market continues to be hampered to some extent by physical disabilities, which are, however, gradually being reduced in importance.

* * *

Another Vesting Order

Last Saturday brought yet another Vesting Order, the fourth within twelve weeks and the second, in that period, relating to United States stocks. On this occasion, over a hundred securities are included, of which well over half are bonds, and relatively few are stocks in which the public is largely interested. About one-

third of the list, given in detail below, consists of bonds and notes of the U.S.A. Treasury. The conditions of purchase are identical with those previously issued, and there is the now usual provision for payment, in whole or in part, in Government securities, which this time include the new issues, through the tap, of National War and Savings Bonds as well as the 3 per cent. Defence Bonds. The one difference between this issue

DESCRIPTION AND PRICE OF SECURITIES VESTED

Shares	£ s. d.	Price per \$100 nominal
Adams Express Common	1 15 6	
Addressograph - Multi-graph Common	3 15 10†	
Alabama Power \$7 Prefd.	26 0 10	
Allegheny Ludlum Steel Common	5 16 10	
Amer. Power and Light \$6 Prefd.	11 6 3	
Amer. Smelting Common	11 1 3	
Amer. Telephone and Telegraph	41 11 6*	
Amer. Tobacco \$6 Prefd.	39 8 0	
Anaconda Copper	6 13 0	
Borg-Warner Common	4 17 7	
Boston and Albany Railroad	23 1 2	
Carolina Power and Light \$7 Prefd.	27 11 11	
Cent. Power and Light 6% Prefd.	26 10 5†	
Coca Cola Common	25 17 1	
Commercial Credit 4½% Prefd.	25 0 8	
Cons. Edison Co. of N.Y. \$5 Prefd.	26 12 7*	
Creole Petroleum	3 14 7	
Curtiss-Wright Common	2 7 11	
Fidelity-Phenix Fire Ins.	9 8 4	
First Nat. Bank of New York	421 6 10	
Florida Power and Light \$7 Prefd.	20 0 6	
Gen. Amer. Investors \$6 Prefd.	25 12 1	
General Cable Corp. 7% Prefd.	21 7 7	
General Motors \$5 Prefd.	31 4 0*	
Great Northern Railway \$6 Non-Cum. Prefd.	6 18 7	
Kendall Co. \$6 Prefd. Series "A"	25 12 1	
Lehman Corp.	5 8 2	
Minneapolis - Honeywell Regulator Common	11 0 0	
Nat. Bond and Invest. 6% Prefd. Series "A"	21 12 7	
Nat. Distillers Products	5 10 4†	
Nat. Steel Corp.	16 15 7	
Northern Indiana Public Service 6% Prefd.	27 6 11	
Ohio Edison Co. \$6 Prefd. Preferred Series "A"	27 5 1	
Pennsylv. Telephone Common	8 10 4	
Pennsylvania Water and Power Common	13 8 6	
Public Service Corp. of N.J. \$5 Prefd.	27 6 4	
Do., Common	7 5 6	
Republic Steel 6% Preference Series "A"	23 10 10	
St. Joseph Lead	9 0 0	
Sperry Corp. Voting Trust Certificates	9 5 3	
Superheater Co.	4 17 0*	
Timken Roller Bearing Common	12 6 2	
United Corp. \$2 Preference shares	7 6 8	
U.S. and Foreign Securities. \$6 First Prefd.	21 17 6	
U.S. Gypsum Common shares of \$20	16 13 9	
Price per \$100 nominal		
Bonds		
Amer. Telephone and Telegraph 5½% Sinking Fund Gold Debs., 1943	26 2 5	
Ditto, 3½% Debentures, 1961	27 0 6	
Ditto, 3½% Debentures, 1966	27 3 9	
Atch. Top. and Santa Fe Railway 4½% Conv. Gold Debs., 1948	25 17 8	
Ditto, 4% Conv. Gold Bonds, 1960	23 17 0	
Ches. and Ohio Railway 3½% Refunding and Imp. Series "D"	26 4 10	
Bonds, 1960		
Columbia Gas and Electric 5% Gold Debs. due April 15, 1952	26 11 1	
Ditto, 5% Gold Debs. due May 1, 1952	26 10 7	
Columbia Gas and Electric Cons. Edison of N.Y. 3½% Debs., 1956	26 7 6	
Ditto, 3½% Debs., 1946	26 4 8	
Federal Farm Mortgage 3% Bonds, 1944-49	26 17 11	
Federal Land Bank (Cons. Farm Loan Bonds) 3½% Bonds, May, 1945-55	27 5 1	
Ditto, 3% Bonds, Jan., 1946-56	27 1 9	
Ditto, 3% Bonds, May, 1946-56	27 4 10	
Great Northern Railway 4% Gen. Mort. Conv. Bonds, Series "G," 1946	26 2 7	
Ditto, 4% Gen. Mort. Conv. Bonds, Series "H," 1946	24 11 6	
Home Owners' Loan Corp. 2½% Bonds, Series "G," 1942-44	25 13 1	
Ditto, 1½% Bonds, Series "M," 1945-47	25 11 1	
N.Y. Cent. and Hudson River Railroad 3½% Mort. Gold Bonds, 1907	21 13 1	
Ditto, 3½% Mortgage Gold Bonds, 1907. Registered Bonds	20 5 8	
Norfolk and Western Railway 4% First Cons. Mort. Gold Bonds, 1906	31 14 6	
Ditto, 4% First Cons. Mort. Gold Bonds, 1906	31 2 0	
Pennsylvania Railroad 5% Gen. Mort. Gold Bonds, Series "B," 1908	28 12 1	
Ditto, 4½% Conv. Mort. Gold Bonds, 1900	31 6 6	
Ditto, 4½% Gen. Mort. Gold Bonds, Series "A," 1905	26 19 5	
Ditto, 3½% Conv. Debs., 1932	22 14 5	
Union Pacific Railroad 4% First Mort. Gold Bonds, 1947 - Bearer Bonds	28 4 10	
Ditto, 4% First Mort. Gold Bonds, 1947 - Registered Bonds	27 17 5	
U.S.A. Treasury Bonds—		
4½% 1947-52	30 8 4	
4½% 1944-54	28 4 4	
3½% 1946-56	28 17 11	
3½% 1943-47	26 16 9	
3½% 1941	25 17 1	
3½% 1943-45	27 0 10	
3½% 1944-46	27 5 10	
3½% 1946-49	27 19 6	
3½% 1949-52	28 7 2	
3½% 1946-48	27 16 1	
3½% 1951-55	28 4 6	
2½% 1955-60	27 13 1	
2½% 1945-47	27 8 1	
2½% 1948-51	27 12 3	
2½% 1951-54	27 5 9	
2½% 1954-59	27 0 5	
2½% 1958-63	27 6 2	
2½% 1960-65	27 6 8	
2½% 1945	27 1 2	
2½% 1948	27 8 11	
2½% 1949-53	26 15 8	
2½% 1950-52	26 19 1	
2½% 1947	26 10 3	
U.S.A. Treasury Notes		
2½% Series "B" 1942	25 19 10	
1½% Series "C" 1942	25 18 2	
1½% Series "C" 1941	25 7 2	
1½% Series "A" 1943	25 9 7	
1½% Series "B" 1943	25 10 8	
1½% Series "B" 1944	25 9 5	
1½% Series "C" 1944	25 9 1	
1½% Series "A" 1944	25 8 5	

* Ex dividend due in January or February. † Cum dividend due in February.

and its predecessors is that payment is not to be effected until a minimum period of six weeks after the announcement, instead of four weeks as in recent cases. Once again the announcement of a new vesting order coincides with the commencement of payments on the previous one, but there is no reason to suppose that this practice will be continued. It is clear, if statements from New York have any meaning, that the British Treasury is only now commencing to organise the sale of securities in the U.S.A., although the first vesting took place eleven months ago. So far as can be

gathered, U.S. dollar securities are to be sold outright and considerable progress is understood to have been made in arranging for the purchase, at least of the more marketable stocks and bonds, by market syndicates. This is the fourth order relative to U.S. dollar stocks in addition to the "mopping-up" order of November 16th last, and in all some 350 securities are covered.

The Argentine Debt

In the issue of November 16, 1940, *The Economist* has already drawn attention to the revival of interest in the Congress of Argentina in the suggestion that the Argentine external debt, including the railway capital, should be repatriated. This proposal has now been carried a stage further by its inclusion in the Pinedo Plan, designed to counteract the economic dislocation which is resulting from the war and the consequent closing of export markets. The Pinedo Plan, which is reported to have already obtained the approval of the Cabinet, is stated to be under the consideration of a committee of the Senate. Since the greater part of the Argentine external debt and the control of the main Argentine railways are held in Great Britain, the details of any scheme of repatriation is a matter of supreme interest to the investing public in this country. It is believed that British controlled railway companies have been asked to present their views to the Senate Committee, and it is known from the statements of chairmen in the recently issued annual reports of the main railways that the companies have no objection in principle to nationalisation. While it can hardly be a favourable moment from the stockholders' point of view to discuss questions of compensation, for prices of securities in the past two years have fallen to bargain levels and the closing of export markets has had an increasingly disastrous effect on traffic figures, there is no doubt that repatriation would provide a valuable addition to British purchasing power in Argentina during the present emergency. The latest report of the details of the Pinedo Plan suggests that the proceeds of Argentine exports to the sterling bloc would be used to purchase on behalf of the Argentine Government the outstanding sterling securities. The suitability or otherwise of the scheme from the point of view of the investor in this country clearly turns wholly on the question of the purchase price which could be agreed.

Company Notes

Selfridge Reconstruction

Despite spasmodic recoveries in earnings from time to time, the general position of Selfridge and Company has for long been so precarious that the collapse in purchasing power in London's West End, caused by the war, has done little more than complicate the circumstances in which an inevitable reconstruction has had to be presented. The Oxford Street venture has never quite achieved what was expected of it and the guarantee of the 25 per cent. ordinary dividend to William Whiteley has proved a severe drain. Other ventures in the suburbs and provinces have added nothing to revenue and it has long been evident that a drastic capital reconstruction was inevitable. Had cash reserves been larger, this measure would have been deferred until the outlook was less cloudy, but the point has now been reached where further finance would be required to meet the Whiteley guarantee, and for other purposes, and this is not forthcoming. In consequence, a general sacrifice is demanded from the debenture holders in Selfridge and Company and from the holders of ordinary capital in Whiteleys, while the position of the various classes of share capital in the former concern is left for later treatment. In addition to the three years' unexpired portion of the guarantee of a 25 per cent. dividend on £450,000 ordinary capital of Whiteley, Selfridge and Company owed that company, at the end of January last, some £197,000. There is a further sum of £109,000 required in cash to meet tax payments, while approximately £100,000 is required for working capital. The very moderate total of £300,000 to be raised in cash is explained by the fact that secured creditors on loans and overdrafts, to a total of some £687,000, are making no claim for immediate repayment.

The scheme evolved for meeting this situation is, in essence, simple. The assets of the existing Selfridge company, with the corresponding liabilities, are to be split between an operating and a holding company. The former will have a share capital of £1,000,000, to be held solely by the latter. In order to raise the cash mentioned above, the operating company will issue £300,000, 4½ per cent. prior lien debenture stock. This will rank in front of the existing 4 per cent. debenture of the Selfridge company, the holders of which will be compensated by receiving in exchange 5 per cent. debenture stock in the operating company in respect both of capital and interest accrued at 4 per cent. The operating company will hold all the trading assets and the relevant liabilities. The holding company will issue £100,000 series "A" secured income redemption stock in satisfaction of the portion of the debt to William Whiteley not satisfied in cash, and £225,000 similar "B" stock in satisfaction of the guarantee of the ordinary dividend. These stocks will carry no interest, but will be repaid out of 40 per cent. and 12 per cent. respectively of the income received from the operating company after meeting ground rents, interest and other essential outgoings, up to a total available for distribution for all purposes of some £83,000. This limit, in effect, means that, on the most optimistic supposition, the "A" stock would be paid off in three and the "B" in 20 years. After meeting these annual charges, 18 per cent. goes to pay off other debtors of the holding company, while the remaining 30 per cent. is available for reserves and dividends. The scheme limits the liability of Selfridge and provides a minimum of working capital. There has already been a change of management and it remains to be seen whether any earnings will be achieved during the war period, beyond possibly the debenture service. The arrangement also restores to the holders of William Whiteley ordinary stock the control of that business. Here again the new management takes over at a critical moment. The scheme has the most influential backing and will presumably be adopted. It can do no more than free the two managements from financial anxieties and each will have a long struggle to rehabilitate their respective concerns. The senior Selfridge security, the 6 per cent. cumulative preference stock, tax free up to 6s. in the pound, stands at 8s. 3d., including almost two years of accrued dividend. The £1 ordinary stock of William Whiteley are quoted at around 3s. 4½d.

John Lewis Progress

The report issued by John Lewis Partnership on the trading results of the group for the first nine months of the financial year to end-October last is the second quarterly report to be issued since the loss of the Oxford Street premises. It is, however, the first occasion since the loss that comparative figures for turnover and profits have been provided. The Partnership is unfortunate in having suffered, in the meanwhile, the total destruction of its Southampton subsidiary, whose profits are consequently included in the statement only up to August 24th. Turnover for the London businesses was 24.4 per cent. below that of 1939, but it is satisfactory that the turnover of the three provincial branches, excluding that in Southampton, rose by 12.4 per cent. The profit for nine months for the parent and subsidiaries before deduction of preference dividends amounts to only £1,815 against £31,596 in the previous year and £93,049 in 1938. The directors state frankly that there is little possibility that a profit balance will be available for the payment of preference dividends to the stockholders of John Lewis and Co., but extend the hope that post-war conditions and compensation under the Government's War Damage Bill will speedily enable preference charges to be covered once more. The report on nine months' trading issued by the directors of Suburban and Provincial Stores, controlled since the end of January, 1940, by John Lewis Partnership, but not included in the statement given above, is much more encouraging than that issued after the first six months of trading. A special interest now attaches to these results in view of the destruction suffered by a large part of the John Lewis premises and the Southampton subsidiary and also on account of the recently announced reconstruction of the Selfridge group, which formerly controlled Suburban and Provincial Stores. During the past three months, the company has profited

by the general revival of retail trade in the provinces, which has more than balanced the continued decline of turnover in suburban stores. Thus, despite a net loss for the whole concern of £29,369 on the first six months' trading, the statement reports a net profit of £5,976 for the nine months under review. The considerable improvement in earnings as compared with 1939 is due to the fact that hire-purchase trading from which the group has, in time of peace, drawn a considerable income, was only restricted as from August, 1939. Consequently, for the last three months of the nine-month period earnings were on a comparable basis showing an improvement of net profits over the whole period of £2,504 against a deterioration of £32,019 for the first six months. As the directors state, the nine months' results show that the Brixton, Peckham and Liverpool businesses, the first two of which show higher losses than in 1939, are the company's least productive assets. None the less, it does now appear probable that the company will end the financial year at January 31, 1941, with a modest net profit. The last dividend on ordinary stock was the 2½ per cent. paid in 1938/39, but in the following year the concern realised equity earnings of 0.9 per cent. The £1 ordinary stock stands at no more than 1s. 3d. Both the 5 per cent. 1st cumulative preference stock and the 7 per cent. cumulative preference stock of John Lewis and Company are now quoted at 6s. 8d.

Gas Light and Coke Dividends

On receipt of the news that the Gas Light and Coke Company is to postpone the declaration of final preference dividends for the year ending December 31, 1940, until the completion of accounts, the market in gas stocks turned decidedly weak. The £1 ordinary stock of Gas Light and Coke lost 1s. 9d. to 18s. and quotations generally widened. On the face of it, there is nothing to the announcement of the directors to indicate that the postponement is more than a precaution. After several months of severe bombing in the London area, it is not surprising that the issue of last year's accounts should be delayed, or that the announcement of dividends should be withheld until the estimate of net profits is reasonably accurate. After meeting preference dividends for 1939, the company retained a surplus of £894,612, which indicates that a considerable margin of surplus earnings exists to cover preference stock. Last year, ordinary stock received a total payment of 4½ per cent., which was followed by an interim payment for the first half of 1940 of 2½ against 2.8 per cent. Having covered the ordinary dividend for 1939 and allocated £20,000, against the normal £40,000, to redemption fund, a deficit in the carry forward was, however, only avoided by bringing in £25,210 from reserve fund. Thus, there is every probability that ordinary stockholders must accept a considerable cut. It is common knowledge that gas companies operating in London have suffered serious losses last year, both on account of the lower consumption of gas, for which evacuation and the use of communal shelters is responsible, and on account of damage to plant and equipment, while costs have also risen. But there is a reasonable prospect that the income will suffice to meet the claims of preference stockholders. The 4 per cent. consolidated preference stock now stands at 70, at which price it yields £5 14s. 8½d. per cent.

Oil Dividend Contrast

The full report of Apex (Trinidad) for the year to September 30th, 1940, shows that the maintenance of the previous year's total dividend of 30 per cent. is amply justified by the satisfactory rise in equity earnings. In



common with other oil-producing companies Apex (Trinidad) furnishes no figures of oil production for the past year, but the accounts show a rise in oil profits from £417,957 to £598,926, the best level for the last decade. Since revenue from subsidiary sources of income has more than doubled at £6,275, total earnings for the year reach the highly satisfactory sum of £605,201. Charges for amortisation of wells and for general administrative expenses have remained relatively stable, but the company has to face a tax provision which has also more than doubled at £190,000 against £80,464. Thus the equity surplus has increased only from £167,335 to £195,367, representing a rate, grossed up with tax at the standard rate for the United Kingdom, of 39.6 against 30.7 per cent. The directors are able to place £30,000 to reserve, the first allocation since 1931-32, and to raise the carry-forward slightly from £130,706

to £131,073. The position of the Trinidad companies is, of course, exceptional, and the decision of Royal Dutch to pass the interim dividend for the current year—5 per cent. was distributed in January, 1940—is less encouraging, although coming as it does after the similar decision of Shell Transport it can occasion no surprise. For 1939, total income dropped from £89,407 to £26,200, a sum which provided only very narrow cover for the 5 per cent. total payment absorbing £25,181. During 1940 the profit-earning capacity of the company, now totally severed from its European connections and installations, must have been depressed to an extremely low level. It remains to be seen whether trading conditions will justify the distribution of a final ordinary dividend. After recent improvements in the oil market the 5s. ordinary shares of Apex (Trinidad) at 2½s. 6d. ex dividend yield £6 2s. 5d. per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash.

THROUGHOUT the week, sentiment has been firm and prices have been well maintained in all sections of the market. The predominance of gilt-edged at the beginning of the previous week has given way to general buying of industrial equities. Before the week-end, the prices of gilt-edged securities showed a certain stagnation, although recent gains were fully held, since investors, encouraged by the better figures for shipping losses, were not disposed to sell. The continued success of the Middle Eastern campaign maintained interest in the oil market at a high level, and dealings in the rubber market were more lively than for some time past.

★

After a quiet opening to the week, the demand for gilt-edged issues revived on Tuesday and was well maintained in mid-week. On Tuesday, both 3½ per cent. Conversion and 3½ per cent. War Loan gained ½ and a long list of undated securities gained ½, including 2½ and 4 per cent. Consols, 4 per cent. Funding and Local Loans. Turnover was, however, on a small scale and derived no immediate inspiration from the announcement of the latest call up of dollar stocks. The foreign bond market was generally lively. A steady demand for Brazilian and later Chilean issues raised the prices of most securities by daily advances of the order of ½ point. Egyptian Unified gained on the continued success in the Western Desert, but Greek 7 per cent. bonds reacted moderately on Tuesday. Support was also forthcoming for the German potash issues and for French railways. Japanese bonds gave way, the 6 per cent. issue of 1924 losing as much as 2 points before the week-end.

★

After last week's advances, home rails were subject to a certain amount of profit taking, and the junior issues in particular lost ground. Great Western ordinary lost ½ point on Monday and L.M.S. eased ½ then and on the following day. Senior issues on the whole remained firm. Among foreign rails, speculative purchases of Argentine issues continued and Canadian Pacific preference improved ½ early in the week.

★

Buying was concentrated on the industrial market and most sections enjoyed substantial advances. Electrical equipment shares were in steady demand and gains were realised by G.E.C., Crompton Parkinson, W. T. Henleys and Callenders Cable. The ordinary stock of the Gas, Light and Coke Company, however, lost 1s. 9d. on the announcement of the postponement

of the preference dividends. Among motor shares, Leyland was singled out and Rolls-Royce also advanced on Tuesday. The iron and steel section was relatively quiet, but a number of fractional gains were realised by companies, including Babcock and Wilcox, Dorman Long, and Stewarts and Lloyds. The shipping section was weak, and interest in tobacco leaders not on a large scale, although B.A.T. improved ½ on Tuesday. Among textile issues, there was steady support for Coats and some buying of Courtaulds and Lancashire Cotton. General industrial were characterised by the further advance of Associated Portland Cement and London Brick, while Murex, Boots, and Turner and Newall also found favour. Brazilian Traction lost ½ before the week-end, which was subsequently regained, and International Nickel eased ½ on Monday. Cable and Wireless preference was consistently supported.

★

The demand for kaffirs was never on a large scale, and price movements were irregular and without trend. Developing mines were relatively neglected. Crown Mines and Consolidated Goldfields were firm spots, but "Sallies" lost ½ at the beginning of the week. There was little doing in other mining markets. The demand for rubber shares was on a rather larger scale than recently, Tamiang gaining 1s. 3d. on Monday, when several tea companies, including Empire and Eastern Produce, also realised gains. The strength of the oil market continued, being promoted both by military news from the Middle East and by rumours of a settlement of the dispute with the Mexican authorities. Shell Transport, Anglo-Iranian, Burmah Oil, and Mexican Eagles all displayed considerable strength.

"FINANCIAL NEWS" INDICES

1941	Approx. Total Bargains in S.E. List	Corres. Day 1940	Security Indices	30 Ord. shares*	20 Fixed Int.†
Jan. 9 ..	2,383	4,568	70.9	126.7	
" 10 ..	2,103	4,604	71.1	126.7	
" 13 ..	2,873	5,204	71.3	126.7	
" 14 ..	2,216	4,029	71.7	126.8	
" 15 ..	2,323	3,916	72.7	126.9	

* July 1, 1935 = 100. † 1938 = 100. 30 Ordinary shares, 1941: highest, 72.7 (Jan. 15); lowest, 70.3 (Jan. 2). 20 Fixed Int., 1941: highest, 126.9 (Jan. 15); lowest, 126.1 (Jan. 2).

New York

BEFORE the week-end, interest fell away and markets closed quietly, traders being unwilling to enter into fresh commitments. Copper shares turned weak and there was some profit taking. This

week, however, sentiment was encouraged by the satisfactory level of domestic business activity and by the show of Bulgarian resistance in the Balkans. Later, news of the latest call up of British-owned securities was an unsettling factor, since the market in these stocks was thereby limited. Rail issues turned easy on account of profit taking on Tuesday, and aircraft and chemical issues were offered. By mid-week, the market had turned easier, dealers being anxious to ascertain the outcome of the proposed legislation to carry through the "lease and lend" scheme.

The Iron Age estimates the level of steel mill activity at 98 per cent. of capacity, against 97½ per cent. in the previous week.

New York Prices

Total share dealings:—Jan. 8, 640,000; Jan. 9, 860,000; Jan. 10, 750,000; Jan. 11, 360,000; Jan. 13, 470,000; Jan. 14, 470,000.

	Close Jan. 7, 1941	Close Jan. 14, 1941		Close Jan. 7, 1941	Close Jan. 14, 1941
1. Railroads			Colanese of A.	27½	27½
Balt. & Ohio ..	34	4	Chrysler ..	70	70
Ill. Cent.	25½	27½	Curt. Wr. "A" ..	28½	28½
N.Y. Cent.	7	7½	Eastman KdK.	140	138
Northern Pac.	13½	14½	Gen. Elec.	34½	35
Penn. El.	64	66	Gen. Motors ..	48	47½
Southern	22½	23½	Inland Steel ..	89	87½
	12½	12½	Int. Harvest ..	52½	51½
2. Utilities, etc.			Int. Nickel	24½	25½
Amer. Tel.	167½	167½	Jaggett Myers ..	96½	96
Amer. W.Wks. ..	8½	8½	Nat. Dairy	14	14½
Pac. Light.	39	39½	Nat. Distillers ..	23½	23½
Pub. Sv. N.J. ..	29	29½	Nat. Steel	67½	69½
Stn. Cal. Ed. ..	27½	27½	Proct. Gamble ..	57½	57½
United Gas	10	10½	Sears Roebuck ..	77½	77½
3. Commercial and Industrial			Shell Union	11½	11½
Amer. Metal ..	18½	19½	Socony Vac.	9	9
Am. Roll. Ml. ..	15	14½	20th Cn. Fox ..	7	6½
Am. Smelting ..	43½	44	U.S. Steel	60½	62½
Anacosta	26½	26½	West. Hse. El. ..	102½	102½
Briggs	24½	24½	Woolworth	34½	34½
			Ingstn. Sheet ..	40½	39½

STANDARD STATISTICS INDICES (1926 = 100)

WEEKLY AVERAGES					
1941		1940		1941	
Low	High	Low	High	Low	High
347 Industrials	96.0	111.4	93.1	94.4	96.0
32 Rails	27.5	30.7	25.8	26.9	27.5
40 Utilities	78.5	89.4	77.0	78.0	78.5
419 Stocks	82.1	94.8	79.60	80.9	82.1
Av. yield*	6.13%	4.30%	6.36%	6.26%	6.13%
* 50 Common Stocks.					

DAILY AVERAGE 50 COMMON STOCKS

Jan. 2	Jan. 3	Jan. 4	Jan. 6	Jan. 7	Jan. 8
102.10	104.80	104.80	104.90	105.00	105.20
1941 High: 105.20, January 8th. Low: 102.10, January 2nd.					

Industry and Trade

A Cement Committee

The promised committee to investigate the cement position was set up at the end of last week by the Ministry of Works and Buildings. Its terms of reference are "to consider and report whether, bearing in mind all probable demands for cement in meeting current needs and in post-war reconstruction, and taking into consideration economic, strategic, and other factors affecting the allocation of cement, new cement works should be established, existing ones extended, or old plant modernised; and, if so, what general considerations, financial, geographical, and economic, should apply." The committee is a strong one. Its chairman is Mr George Balfour (chairman of Messrs Balfour, Beatty, and Company, civil engineering contractors); its members include representatives of interested trade unions and trade associations, of the Ministry of Transport, and Sir William McLintock, senior partner of Messrs Thomson, McLintock and Company, chartered accountants. It is to be hoped that the investigation into post-war requirements of cement will not delay the publication of the committee's findings on the more immediate problems, possibly in an interim report. It is officially reported that the seasonal decline in demand has enabled the industry not only to meet current requirements but to begin the accumulation of stocks. The course of demand next year depends, in a large measure, on the Government's construction programme; it is therefore for the Ministry of Works and Buildings,

with the assistance of the newly appointed committee, to make provision now for the supply of the necessary quantities of cement next year.

★ ★ ★

Smaller Shipping Losses

It is perhaps too early to draw definite conclusions from the figures of shipping losses published during the past four weeks, but the marked reduction is encouraging. As the table below shows, the consistent level of sinkings has been broken for the first time since the Germans gained control of the French ports:

	AVERAGE WEEKLY SHIPPING LOSSES* (In gross tons.)		
	British	British & Allied	British, Allied & Neutral
Sept. 3, 1939–May 27, 1940 ..	20,000	25,900	40,800
June	63,400	100,000	100,200
July	56,600	67,300	91,400
August	64,800	72,700	82,400
September	76,200	90,300	100,200
October	63,700	77,200	86,500
November	68,100	85,400	89,200
Week ended December 8th	107,500	125,600	128,400
Average May 28–Dec 8th	65,100	82,100	93,500
Four weeks ended Jan. 5	29,800	37,700	41,000

* Most of the figures which were given in a similar table in *The Economist* of December 21 last have had to be amended owing to subsequent corrections to the Admiralty figures.

Capital Issues

Week ending January 18, 1941	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.†	3,321,584	..	3,321,584
3% Defence Bondst (s)	3,309,365	(s)	3,309,365
2½ Nat. War Bonds†	2,999,500	..	2,999,500
Ditto, 2nd Issue†	8,939,500	..	8,939,500
3% Savings Bondst	6,853,700	..	6,853,700
† Week to January 7th, 1941. ‡ Week to January 7th, 1941, making total since June 25th, 1940, £35,345.			

Year	Including Conversions	Excluding Conversions
1941 (New Basis)	40,832,002	40,832,002
1940 (New Basis)	355,736,733	13,037,600
1941 (Old Basis)	40,812,998	40,812,998
1940 (Old Basis)	364,587,933	11,832,800

Year	U.K.	Brit. Emp. ex U.K.	Foreign Countries
'41 (New Basis)	40,812,998	19,004	Nil
'40 (New Basis)	13,026,448	5,152	Nil
'41 (Old Basis)	40,812,998	Nil	Nil
'40 (Old Basis)	11,832,800	Nil	Nil

Nature of Borrowing (Conv. Excl.)

Year	Deb.	Prof.	Ord.
'41 (New Basis)	40,812,998	8,541	10,463
'40 (New Basis)	11,935,850	Nil	1,091,750
'41 (Old Basis)	40,812,998	Nil	Nil
'40 (Old Basis)	11,725,000	Nil	107,800

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

BY TENDER

East Worcestershire Water.—Issue by tender of £16,000 4½ per cent. irredeemable debenture stock and £14,000 5 per cent. redeemable preference stock (1950). The minimum price of either issue is £100 per cent. Tenders by 10 a.m., January 27th.

BY STOCK EXCHANGE INTRODUCTION

Farnham Gas and Electricity Co.—Issue of £70,000 4½ per cent. debenture stock to be redeemed at par June 30th, 1955, or after June 30th, 1952, at three months' notice. Messrs. Snell and Swaffield, Sidney J. Lovell and Co., have purchased this stock at 99 per cent. net.

Shorter Comments

This Week's Company Results.—SMITH'S DOCK CO. are maintaining the 6 per cent. dividend. Gross profits have risen satisfactorily from £274,197 to £437,269, but the company has realised only a small increase in net profits from £77,798 to £78,704. BLUEMEL BROS., cycle manufacturers, have realised a rise in total earnings from £16,575 to £20,167 and in net earnings from £6,219 to £14,463. The 10 per cent. dividend is repeated. THE NATIONAL OMNIBUS & TRANSPORT CO. is also repeating the previous year's dividend at the rate of 7 per cent. tax free. Both gross and net income were higher, the latter amounting to £116,636 against £109,508. Despite an increase in total earnings of LEY'S FOUNDRIES AND ENGINEERING from £98,222 to £108,467, a moderate rise in tax charges reduced the net figure from £65,668 to £65,385. The 11 per cent. dividend is paid as before. MICHAEL NAIRN, GREENWICH, makers of oil cloth and linoleum, have reduced the ordinary dividend from 15 to 14 per cent. in view of a reduction in total earnings from £230,968 to £190,919 and in net earnings from £227,019 to £186,773. RIO DE JANEIRO FLOUR is maintaining the 8 per cent. payment despite a fall in earnings which leaves net profits at £64,927 against £75,023.

MISCELLANEOUS

Smith's Dock Company.—Trading profit year to September 30, 1940, £437,269 (£274,197). Depreciation, £50,000 (£50,000). To income tax and E.P.T., £295,000 (£125,000). To reserve, £30,000 (£30,000). Ordinary dividend 6 per cent., as before. Carry forward, £42,219 (£33,765).

Bankers Trust Company.—Total resources December 31st, 1940, \$1,579,523,714 (\$1,245,134,596). Deposits \$1,460,558,560 (\$1,125,410,058). Investments \$680,467,251 (\$576,421,775). Cash \$613,287,942 (\$406,561,197).

Clydesdale Bank Ltd.—Net profit, 1940, £310,064 (£313,890). Dividend 16 per cent. as before. To reduction of bank buildings, £20,000 (£20,000). To superannuation fund, £35,000 (£40,000). To reserved surplus fund £50,000 (£50,000). Forward, £38,068 (£91,004).

Chase National Bank.—Total resources December 31, 1940, \$3,824,403,000 (\$3,085,819,000). Deposits, \$3,543,338,000 (\$2,803,730,000). After semi-annual dividend, to be paid Feb. 1st, \$5,180,000 undivided profits on December 31, 1940, were \$36,212,000 (\$33,022,000). Net earnings 1940, \$13,550,000 or \$1.83 per share, against \$13,315,000 or \$1.80 per share.

Dusseck Bros.—Gross profit, year to October 31st, £76,706 (£76,647). Net profit, £24,594 (£25,300). Ordinary dividend 12½ per cent. (same). Carry forward, £16,021 (£18,558).

Hollins Mill Co.—Net profit, year ended November 30th, £67,495 (£53,689). Preference dividend £40,200. Total ordinary dividend, 5 per cent. (3 per cent.). Carry forward, £41,542 (£26,748).

British Rubber Estates of Java.—Net profit, year to June 30th, after debenture interest, £6,220 (£6,488). Depreciation, £5,040 (£5,218). Taxation £19,470, amounted to £29,177, against £3,041. Debenture redemption, £7,294. Ordinary dividend 3 per cent. (nil). Carry forward, £19,184 (£18,871).

Bajoe Kideol Rubber.—Net profit, year to March 31st, £13,960 (£5,908). Ordinary dividend 5 per cent. (4 per cent.). Carry forward, £39,179.

Ashdown Investment Trust.—Net revenue, year ended November 30th, £24,922 (£24,146), after taxation, £14,784 (£10,465). Dividend 4½ per cent. (4 per cent.). Carry forward, £13,323 (£7,213).

Houlder Line Limited.—Profits 1940, £206,906, after taxation provision. Profits 1939, £213,975. To Fleet Replacement Account, £104,500 (£32,143), making that account £200,000. For 1939 £100,000 was placed to Depreciation. Dividend maintained at 7½ per cent. Carry forward, £39,599 (£27,412).

Transvaal Gold Output, December. (Fine ounces). Witwatersrand, 1,148,004; other districts, 28,518; total, 1,176,522. November total, 1,187,536. Native labour employment at end December: Gold mines, 346,726; coal mines, 18,374; total, 365,100.

National Omnibus.—Net profit, year 1940, £116,635 (£109,508). Ordinary dividend 7 per cent. tax free (same). General reserve, £10,000 (£5,000). Carry forward, £31,959 (£30,323).

continued on page 90

January 18, 1941

The significance of the figures is that, having never once fallen below 82,000 tons per week in any month since the end of May, the losses of British, Allied and neutral shipping for the four weeks ended January 5th were at half that rate. Bad weather is not a complete explanation and there is no reason for thinking that German bombers, more affected by the weather, have replaced the submarines as the most effective of Germany's counter-blockade weapons. The better record is probably due to a combination of circumstances, including—possibly the most important—stronger naval escorts for the convoys. It may also be that the several raiders which are still at large are lying low for the time being, and that our bombing of the U-boat bases is beginning to yield results. It is not, of course, known whether the graph of repairs has shown a corresponding fall, but in any case the loss of cargoes has been less serious. The record of the next few weeks will be particularly interesting. If it is a good one, and is combined with an improvement in the handling of ships and cargoes in the ports as a result of the recent changes in control, and with an increase in the rate of production in the shipyards, a shadow which was becoming darker will have lightened.

* * *

Coal-Tar Oils as Motor Fuels

In the matter of alternative motor fuels neither the Secretary for Petroleum nor his colleague at the Mines Department have shown much inclination to "go to it." As long ago as last March six committees were set up to investigate the possibilities of replacing imported motor fuels with alternative products manufactured at home. When announcing this fact Mr Geoffrey Lloyd also revealed that "a most valuable survey" had been completed showing how "our production of tar creosote and pitch can take the place of imported oil and bitumen to the extent of some 300,000 tons in the current year." For ten months little appears to have been done to put the results of this survey into practice; but, at long last, a scheme to encourage the use of certain medium coal-tar oils (such as creosote) as fuels for commercial motor vehicles is to be inaugurated on January 24th. It provides that operators of goods vehicles and public service vehicles who intend using these oils will be granted additional coupons to enable them to cover an extra mileage with the vehicles concerned. They must declare their intention of using coal-tar oils when applying for their ration coupons. Creosote, with which the scheme is mainly concerned, is one of the by-products of the high-temperature carbonisation of coal and may be burned in spark-ignition engines or engines of the diesel type. Its principal disadvantages in the former case are the special carburettor system required and the need for frequent decarbonisation; and in the latter, the difficulty of starting the engine when cold. Though these drawbacks can be mitigated by blending the creosote with petrol or diesel oil, this coal-tar oil is certainly not a ideal motor fuel. Nor would it be capable of replacing more than a fraction of our imported supplies of petroleum fuels. Nevertheless, the quantity produced by the high-temperature carbonisation process in 1938 was about 90 million gallons (of which over one-third was exported) and it has been estimated that the potential output in this country is in the region of 150 million gallons, or about 550,000 tons. If the whole output of creosote were used, as in the last war, for automotive purposes it would thus represent a by no means unimportant contribution to British motor fuel supplies, and for this reason the Government's new scheme, which is subject to review at the end of six months, is to be welcomed. But this is only one way in which imported petrol might be economised. It is a pity that the findings of Lord Ridley's Committee on the use of alternative motor fuels, which were in the hands of the Secretary for Mines as long ago as last August, have not been made public and, if practicable, put into effect.

* * *

The Rise in Earnings

The December issue of the *Ministry of Labour Gazette* carries further the inquiry into earnings of which the first instalment was published in the *Ministry of Labour Gazette* for November, by covering additional groups

of manufacturing industries and some of the principal non-manufacturing groups. The two dates for which figures were obtained were October, 1938, and July, 1940. For the later date some firms did not give separate particulars for men, women, boys and girls, so that the figures for these groups are based upon a smaller number of returns than the total figures. The averages cover all grades of wage-earners, including unskilled labourers. During the period October, 1938, to September, 1939, there were few general changes in wage rates in the industries under consideration, but a fairly general improvement in employment led to some increase in earnings, so that the percentage increases in earnings between the outbreak of war and July, 1940, must in most cases have been rather less than those shown in the table:—

AVERAGE WEEKLY EARNINGS

	Last Pay-Week in October, 1938	Week ended July 20, 1940	Percentage Increase
	s. d.	s. d.	%
Chemicals, paint and oil.....	55 4	69 1	24.8
Brick, pottery and glass.....	47 9	58 9	18.8
Leather, leather goods and fur	47 10	55 7	16.2
Miscellaneous manufacturing	47 7	62 10	32.0
Iron, stone, etc., mining and quarrying	56 5	69 2	2.26
Treatment of non-metallic mining products	61 6	77 9	26.4
Transport and storage	67 6	80 7	19.4
Public Utility Services	59 5	65 7	10.4

It is estimated that for the industries given in this table the average increase between the outbreak of war and July, 1940, in nominal rates of wages for a full week without overtime was about 12 or 13 per cent.; the average increase in earnings was considerably more, as long hours of overtime were being worked in July, and various bonus systems were in operation. The most striking increases came under the head of miscellaneous manufacturing; the scientific and photographic instruments group showed a rise of 37 per cent. and the rubber industry one of 32.7 per cent. Iron mining, cement, lime-kilns and whiting, artificial stone and concrete, chemicals and explosives, road transport, warehousing and storage all showed increases of over 25 per cent. Fur dressing alone showed a decrease; musical instruments, toys, games and sports requisites showed an increase of only 8 per cent. Apart from these groups public utility services had much lower increases than most other industries. Except in the public utility group, where women's earnings increased more than those of men or young people, there has been the same tendency as appeared in the first half of the enquiry for boys earnings to increase more than those of men and for both to increase more than the earnings of women and girls.

* * *

United States Export Control

In a message to Congress President Roosevelt has asked for an extension of the export licensing regulations to copper, zinc, nickel, bronze, potash and glass as from February 3rd. As regards glass the regulation is of little international influence. So far as potash is concerned, America's production has increased from 4,374 short tons of 2,000 lb. in 1915 to 634,000 short tons in 1939. As a result net imports declined to the low level of 117,942 short tons in 1939. In 1940 production has further increased and may now, if exports are discontinued, just cover the country's total needs. As supplies from Europe are at present limited to the tonnages which may be obtained from Spain the control of United States exports does not cause surprise. The control of bronze, which contains a high percentage of tin, is presumably designed to conserve the stocks of that metal which has to be imported. In the cases of the three non-ferrous metals included in the new order, however, the situation is different. The United States is the world's largest producer of copper and zinc, and for her nickel supplies she can rely on the huge Canadian output, which covers more than four-fifths of the world's total production. True, America's visible stocks of zinc in the hands of producers have declined from 65,995 short tons at the end of 1939 to 12,900 short tons

January 18, 1941

at the end of 1940 and her market is at present in comparatively short supply. The German occupation of Belgium, however, has greatly increased America's supplies of foreign zinc-ore, a fact which should soon help to restore normal conditions on the market. In copper American producers' stocks have only declined from 159,485 short tons at the end of 1939 to 158,418 tons at the end of November last, after having been down to 135,441 tons earlier in the year. Production is rising and has almost caught up with consumption. Moreover the United States has recently contracted for the delivery of 100,000 tons of Chilean copper. The reserves of Chilean metal produced with American capital are still very large and will certainly prevent any stringency in United States supplies. Consequently there seems to be little likelihood that considerations of domestic requirements alone have caused the inclusion of these metals into the export licensing system. For months past, however, Russia has shown an extraordinary interest in American copper and Japan has bought large quantities of American zinc. Both these countries have also acquired a substantial tonnage of nickel in the United States, as exports of this metal from Canada are controlled. The new export licensing order will enable America to limit exports to Russia and Japan. It is unlikely, however, that she will also restrict shipments of copper and zinc to this country, as the greater part of our imports in 1940 consisted of Empire metal refined in the United States owing to the shortage of facilities elsewhere.

* * *

Industrial Progress in Southern Rhodesia

Southern Rhodesia has hopes of becoming a great manufacturing country in the future. That these hopes, based on a cheap labour supply, an abundance of good coal, and a favourable marketing position, are not mere day-dreams is shown by the results of a census of pro-

duction taken in 1938 and 1939. The following table summarises the principal results:

	CENSUS OF PRODUCTION (000's omitted)		Manufacturing, Building, Public Utilities and Govern- ment Departments	
	1938	1939	1938	1939
	£	£	£	£
Gross Output	4,561	4,859	8,128	8,972
Cost of Fuel and Mate- rials	2,466	2,590	4,165	4,609
Net Output	2,095	2,269	3,963	4,363
Salaries and Wages ...	970	1,038	2,457	2,685
Numbers Employed ...	15	15	42	43
Net output per £100 salaries and wages ...	216	219	161	163

The value of the net output of secondary industries in 1939 was just over half the gross mineral output, and exceeded the gross agricultural output, which was £3,700,000 in 1938-9. The gross and net output of all secondary industries both increased about 10 per cent. between 1938 and 1939. The greatest increases in net output took place in the vegetable oils, seed crushing, and various derivative industries, in chemicals and soap, metal manufacture, building and the leather trades. As the salaries and wages bill has in most cases risen more than the numbers employed, earnings have evidently improved. Net output per £100 of salaries and wages has increased very slightly over industry as a whole, but there are wide variations between industries, ranging from a fall of over 40 per cent. in waterworks undertakings to a rise of nearly 37 per cent. in the seed crushing industry and its derivatives. The ratio of Europeans to other races is relatively high in the non-factory trades. Among factory trades it is highest in paper, printing, bookbinding and stationery, metal and metal repair, wood and furniture, chemicals, fertilisers and soap, and food, drink and tobacco. In most factory trades the European labour bill exceeds that for native labour.

Continued on page 88

Glyn, Mills & Co.

(ESTABLISHED 1753)
Registered with unlimited liability 1883
Incorporating

CHILD & CO.
(Established before 1800)

and

HOLT & CO.
(Established 1800)

BANKERS

Army and Air Force Agents, Navy and Prize Agents.

One Hundred and Thirtieth Statement of Assets and Liabilities, 31st December, 1940.

Dr.	LIABILITIES.	£	s. d.	By	ASSETS.	£	s. d.	Cr.
To Capital authorised and issued ..	1,060,000	0	0	By Coin, Bank Notes and Balance at Bank of England ..	6,445,009	16	6	
To Reserve Fund ..	850,000	0	0	By Balances with, and Cheques in course of Collection on, other Banks in the United Kingdom ..	2,203,050	1	4	
To Current, Deposit and other Accounts (including provision for Contingencies) ..	45,992,701	18	9	By Money at Call and at Short Notice ..	8,778,200	0	0	
To Acceptances and Engagements on account of Customers ..	4,108,445	6	7	By Bills Discounted ..	927,467	2	4	
				By Treasury Deposit Receipts ..	3,500,000	0	0	
				By Investments:—				
				British Government	814,262,532	17	1	
				Securities ..	1,134,943	8	2	
				Other Securities ..				
				Subsidiary Companies ..	15,397,476	5	3	
				By Advances to Customers and other Accounts ..	9,911,498	13	4	
				By Liabilities of Customers for Acceptances and Engagements as per contra ..	4,108,445	6	7	
				By Bank Premises (at cost, less amts. written off):—				
				Freehold ..	880,000	0	0	
				Leasehold ..	120,000	0	0	
					740,000	0	0	
					£52,011,147	5	4	

AUDITORS' CERTIFICATE AND REPORT.

We report that we have examined the above Balance Sheet with the Books of the Bank and have obtained all the information and explanations we have required, and we are of opinion that such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs according to the best of our information and the explanations given to us, and as shown by the Books.

H. A. LAWRENCE, Chairman.

ERIC GORE BROWNE } Directors.

JACKSON FIXLEY & CO., }
Chartered Accountants.

15th January, 1941.

NEVILLE RANDALL }
Quintin Brown, Accountant.

15th January, 1941.

Every description of British and Overseas Banking and Exchange Business transacted.
The Bank undertakes the office of Executor and Trustee.

67, LOMBARD STREET, LONDON, E.C.3.

CHILD & CO., 1, Fleet Street, London, E.C.4. and Marygold House, Carfax, Oxford.
HOLT & CO., Kirkland House, Whitehall, London S.W.1.

COMPANY MEETINGS

BURMA CORPORATION, LIMITED

WAR-TIME CONDITIONS OF PRODUCTION

ORE RESERVES REVIEWED

MR M. L. BURNET'S ADDRESS

The annual general meeting of Burma Corporation, Limited, was held at Rangoon on Tuesday, December 31, 1940.

Mr M. L. Burnet (the vice-chairman) said that his first duty was the melancholy one of referring to the death of their distinguished chairman, Lord Horne, and it was impossible adequately to express their sense of the loss sustained through the untimely disappearance of so kindly and forceful a personality. Mr Marmion had been appointed to succeed the late Lord Horne.

Proceeding, the chairman said: We have tried in our report to give an outline of the events affecting our affairs which succeeded the declaration of war on September 3rd. The most important was perhaps the conclusion of the contract for the supply of lead to H.M. Ministry of Supply. We had no hesitation in accepting the fair terms offered by the Ministry for a large tonnage of lead, representing the greater part at least of our normal exports to the United Kingdom, for in this way we not only contribute to the war-time needs of Great Britain but we are assured of the retention of our proper share in the demand of our most important market.

The matter of zinc concentrates, in point of volume our second largest product, was more difficult. Here again we have been able to conclude a contract for a large tonnage with the Ministry of Supply.

The figure of net profit, Rs.68,12,359, which is of most concern to shareholders, does not differ very much from last year's figure—Rs.69,70,759—but the total of the two dividends paid at 7 annas compares with 9 annas for that year, which was too liberal having regard to the increase in the rate of income tax, announced and imposed after the dividends had been declared and paid. This year, with that experience of retroactive taxation in mind, we have limited our dividends to what we hope will be a safe figure, leaving a reasonable margin of profit undistributed to provide for any contingency.

ORE RESERVES AND GRADE

The further data that have become available since I last addressed you justify a preliminary reassessment of the original estimate of tonnage and grade of ore reserves, so that after allowing for the tonnage and grade of ore extracted the former will accord more closely to what we believe represents the tonnage remaining in reserve in the mine, and so that the latter will accord more closely to the grade of ore extracted and treated in the years following the adoption of our policy of grade reduction.

As a preliminary step towards this adjustment it has been decided to apply a factor of 5 per cent. to both the tonnage and the grade of the original ore reserve estimate, an increase in the case of the tonnage and a decrease in the case of the grade. After applying these factors and allowing for a total of 8,141,790 tons of ore extracted to June 30, 1940, the estimate of the balance of ore remaining in reserve in the mine at that date becomes 3,411,192 tons, with an average grade of 15.7 oz. Ag. 20.4 per cent. Pb, 12.6 per cent. Zn, and 0.90 per cent. Cu. This compares with a grade of 14.4 oz. Ag. 19.0 per cent. Pb, 10.8 per cent. Zn, and 0.60 per cent. Cu. for the 473,568 tons actually extracted and treated during the year now under review.

The 5 per cent. increase in tonnage represents an addition of 550,142 tons of excess ore, or sufficient to keep our treatment plants in full operation for 14 months at last year's rate of extraction. The 5 per cent. reduction in grade still leaves the estimated average assay value of the reserves remaining in the mine well above the average grade actually mined and treated during the last few years, and from which current profits have resulted. The addition of 550,142 tons of ore includes the 286,417 tons of excess ore to which I referred last year and the tonnage of 3,411,192 estimated to be in reserve at June 30, 1940, compares with 3,607,945 at the end of the previous year, after allowing for the extraction of 473,568 tons during the year under review.

The report and accounts were unanimously adopted.

ANSELLS BREWERY LIMITED

ADJOURNED FORTIETH ORDINARY GENERAL MEETING, held in Birmingham on Tuesday, January 14th, 1941

PROFITS (Nett)	£521,749 12 11
BROUGHT FORWARD	£250,926 10 6
	£772,676 3 5

DIVIDENDS ON PREFERENCE AND ORDINARY STOCK

(paid and to be paid) ...	£367,500 0 0
TO PROPERTIES RESERVE	£70,000 0 0
TO GENERAL RESERVE	£25,000 0 0
TO TAXATION RESERVE	£34,000 0 0
TO AIR RAID DAMAGE INSURANCE RESERVE...	£25,000 0 0
	£521,500 0 0

TO BE CARRIED FORWARD	£251,176 3 5
-----------------------------	--------------

Points from the Chairman's Speech:—

You will have noted the large amount which has been provided for taxation in the accounts of the Company. The increase in this burden more than offsets the improvement shown in the Trading Account, and so the surplus available for Dividends and Reserve is some £37,000 below that for the preceding year. Part of debit for taxation is in respect of Excess Profits Duty.

BURDEN OF TAXATION

By virtue of the basis upon which this tax is levied the profits which we are allowed to retain are fixed at a pre-war figure plus some allowance for subsequent capital expenditure. Accordingly, although our industry is in no way connected with armaments production, we may not gather the full fruits of our enterprise and initiative in the past. Nevertheless, we must accept the burden because we realise the national needs. I told you last year that this Company with its subsidiaries contributed in Government Duties and Taxes between two and three million pounds. This year the figure is nearer four million than three million.

INCREASE IN FIXED ASSETS

In regard to the Balance Sheet as at 30th September, 1940, there are a few observations which I would like to make in regard to the changes which have taken place as shown on comparison with the Balance Sheet as at 30th September, 1939. The net increase in the Company's Fixed Assets in the form of Land, Brewery Buildings, Licensed and Unlicensed Properties is £117,095. This represents the cost of new buildings and new property and plant less the annual provisions made for depreciation.

A VERY CREDITABLE PERFORMANCE

So much for the financial aspect of our position after a year of war conditions, and I hope the Stockholders will agree with the Directors that it is a very creditable performance. Owing to war-time taxation, however, it is evident that we are not able to reap the full benefits of our enterprise and conservative finance in the past, but by reason of the policy we have pursued there should be less difficulty than there otherwise would have been in maintaining our dividends, and, I hope, making adequate reserves in the future.

TWO-FOLD NATIONAL BENEFIT

Our product—the National Beverage—is of two-fold benefit to the country at the present juncture. For those who enjoy a glass of well-brewed beer it creates that genial atmosphere which contributes so much to the pleasure of meeting friends in that citadel of democracy the Public House, which is one of the few diversions left to the war-weary worker. On the other hand, the beer drinker contributes to the Exchequer a far larger amount than any other section of the public are asked to do on a taxable article. The Chancellor looks like getting £150,000,000 in a full year from this source, so I hope he will be satisfied that he has reached the limit, and in his search for further revenue he will not overlook the importance of equality of sacrifice.

Copies of the Chairman's Speech may be obtained from the Secretary, Park Road, Aston, Birmingham.

ALEXANDERS DISCOUNT COMPANY, LIMITED

STATEMENT BY THE CHAIRMAN

(MR COLIN F. CAMPBELL)

The directors have considered that in view of the difficulties connected with travelling in these short winter days shareholders would appreciate a statement being sent to them dealing with the affairs of the company during the past year at the same time as the balance-sheet and profit and loss account. Consequently I have prepared this statement, which I hope will be found of interest, but it should be understood that the ordinary general meeting of the company will be held in the usual way on January 22, 1941, when the necessary resolutions will be submitted to the meeting, but no further address will be made by me at that meeting.

Shareholders will be sorry to learn that some damage was done to the offices of the company last month through enemy action, when I much regret to say a faithful servant of the company, who had been with us for fifteen years as messenger, lost his life. The damage caused considerable dislocation to the work of the office, and the management and staff were exposed to very great inconvenience and extra work.

The past year has been a satisfactory one for the company notwithstanding the upheaval caused by the war, and the turnover has been very considerable.

CONDITIONS IN MONEY MARKET

Conditions in the money market were in marked contrast to those prevailing in 1939, inasmuch as the Bank Rate remained at 2 per cent. throughout the year, rates for money to the discount market were 1 per cent., while the rate for Treasury Bills ruled at only a few pence above this figure. Under such circumstances I need hardly tell you that the profit derived from Bills was very meagre, though the turnover, as I have already said, was large. It is, however, satisfactory to know that the Treasury has been able to secure a very considerable volume of money during the year by means of Treasury Bills for national purposes in times of war at so moderate a rate of interest. Commercial Bills have again been scarce, due in great measure to the control departments set up by Government for the purpose of ensuring a steady flow of commodities into this country, both for war purposes and for the well-being of the nation. We must expect the scarcity of Commercial Bills to continue so long as the war lasts.

The bulk of the profit earned has once again been derived from our holding a considerable volume of short-dated Government securities, and it certainly would appear that this is likely to continue to be our main source of profit in the year that has now begun.

When you look through the figures presented to you in the printed statement of the profit and loss account and balance-sheet, you will notice a considerable increase in the current expenses. This is by no means a permanent increase and is due partly to A.R.P. arrangements, most of which are non-recurring, and partly to a cash payment, in lieu of pension, made to a member of the staff who has resigned his position in the company. A further sum of £5,000 has been transferred to the Clerks Widows' Pension Fund, as this fund is not fully able to carry the charges for which it was created.

PROFIT AND ALLOCATIONS

The gross profits for the year, after making provision for taxation and a transfer to contingencies, are shown in the profit and loss account at £431,000, before providing for rebate. The amount brought forward from last year was £151,000, making a total of £582,000, as mentioned in the directors' report. From this, rebate has been provided to a total of £202,000, being £7,100 more than a year ago, and after deducting this amount and also current expenses and interim dividends (together £129,000) an amount of £251,000 remains to be dealt with.

Interim dividends on the preference and ordinary shares were paid as usual in July, and it is proposed at the forthcoming meeting to pay a dividend on the preference shares at the rate of 6 per cent. per annum and on the ordinary shares at the rate of 20 per cent. per annum, these being the same as in the previous year, and to carry forward to the next account £160,000, against £151,000 brought in a year ago. I feel sure

that these figures justify my having said the year's trading was a satisfactory one.

MAIN FEATURE OF BALANCE-SHEET

The balance-sheet is drawn up on the lines to which you are accustomed, and its main feature this year is the large increase in securities as compared with a year ago. This is due to the repayment last summer of our holding in 4½ per cent. Conversion Loan, which holding was then included in the bills discounted.

The proceeds derived from this investment were reinvested in such short-dated Government securities as were available, and I consider our present holding in every way satisfactory. The value of the securities is higher than the figure shown in the balance-sheet.

Bills discounted amount to rather less than a year ago and they consist almost entirely of Treasury Bills.

The volume of the business in 1940 was greater than in 1939, which is an index of our desire to take our full part in the discount market under war conditions consistent with the resources of the company.

CAM AND MOTOR GOLD MINING COMPANY (1919), LIMITED

TAXATION PROBLEMS

The ordinary general meeting of this company was held on December 7 at Salisbury, Rhodesia.

Mr Bailey Southwell, chairman of the company, who presided, said that the financial position of the company representing creditors, less cash, investments and debtors, showed an adverse balance of £192,785, as compared with an adverse balance of £101,140 at the end of the previous year, and of £89,656 in June, 1938. A glance at the accounts would show that the passing of the final dividend and the further decline in the company's liquid position were solely brought about by heavier taxation.

In view of the large under-reservation for taxation on the accounts to June 30, 1939, there was no alternative in June, 1940, but to face the position fairly and squarely, and to make such provision in the 1939-40 accounts as would safeguard the company against a recurrence of an under-estimation of such magnitude. With regard to the large adverse financial balance at June 30, 1940, of £192,785, stockholders would agree that it must be the policy of the board to wipe that off as soon as was reasonably possible, and get the company on to a proper financial basis. That meant that out of the current profits they must provide for current taxation, capital expenditure and head office expenses.

An estimate of the position showed that if 1s. per unit was declared this month the cash insufficiency would have been reduced to approximately £133,000 as at December 31, 1940, after allowing for decrease in value of stores on hand. By June next year that figure would have been reduced to well below the £100,000 mark under reasonably normal conditions.

Dealing with the position at the mine, it seemed likely that when the total payable ore reserves were estimated as at June, 1941, the tonnage might show a slight decrease, and that the value was likely to be about 0.2 dwt. lower at, say, 7.3 dwt. Even if no further development work were done, however, the ore reserves indicated that the mine could run nearly 6 years, while the ore from reclamation would extend that period.

The report was unanimously adopted.

BAJOE KIDOEL RUBBER AND PRODUCE COMPANY, LIMITED

THE OVER-PRODUCTION OF COFFEE

The twenty-ninth ordinary general meeting of this company was held, on the 14th instant, in London.

Mr H. Eric Miller (the chairman) said it had been a much better year for rubber by reason of the higher export releases and better market price, but it had been a difficult year for coffee growers. The low price of coffee which had prevailed during the last few years had not so far benefited Brazil by curtailing supplies from other countries and the "sacrifice quota" extracted from Brazilian producers of nearly five million bags last season, while effective in supporting the

EXCHANGE RATES

Rates Fixed by Bank of England

Official exchange rates fixed by the Bank of England remained unchanged between January 9th and January 15th. (Figures in brackets are par of exchange.)

U.S. \$ (4-86) 4-02-3½; mail transfers, 4-02-03½. Can. \$ (4-86) 4-43-47; mail transfers, 4-43-47½. Sw. fcs. (25-22) 17-30-40. Sw. kr. (18-15) 16-85-45. 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. (Fl.) 7-58-62; mail transfers, 7-58-64. Bel. Congo Fr. 1764-2. Portuguese Esc. (170) 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 cents pm-par.

MARKET RATES

London on	Par of Exchange per £	Jan. 9, 1941	Jan. 10, 1941	Jan. 11, 1941	Jan. 13, 1941	Jan. 14, 1941	Jan. 15, 1941
Budapest, Pen.	27-82	(d)	(d)	(d)	(d)	(d)	(d)
Belgrade, Din.	278-32	155*	155*	155*	155*	155*	155*
Sofia, Lev	673-66	200*(g)	200*(g)	200*(g)	200*(g)	200*(g)	200*(g)
Heilingsfors, Mk	193-23	180-210	180-210	180-210	180-210	180-210	180-210
Alexandria, Pst	97½	97½	97½	97½	97½	97½	97½
Madrid, Ptas.	25-22½	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)
Istanbul, £T	110	520(b)	520(b)	520(b)	520(b)	520(b)	520(b)
Athens, Dr.	375	515*	515*	515*	515*	515*	515*
Bucharest, Lei	813-8	(d)	(d)	(d)	(d)	(d)	(d)
India, Rup.	118d.	17½	17½	17½	17½	17½	17½
Kobe, Yen	24-58d.	13½-14½	13½-14½	13½-14½	13½-14½	13½-14½	13½-14½
Hongkong, \$	15-89d.	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½
Rio, Mil.	40	(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, \$	15d.	(d)	(d)	(d)	(d)	(d)	(d)
Singapore, \$	28½	28½	28½	28½	28½	28½	28½
Shanghai, \$	3½	3½	3½	3½	3½	3½	3½
Bogota, Pes.	...	...	...	...	...	...	...

* 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.

OVERSEAS BANK RETURNS

NOTE—The latest returns of the Bank of Finland appeared in "The Economist" of Dec. 9th, 1939; Norway, of Apr. 13th, 1940; 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; Latvia, of October 5th; Estonia, of October 26th; Meille Iran of Nov. 23rd; Lithuania and Roumania, of Nov. 30th; Hungary, International Settlements, of Dec. 14th; Argentina, of Dec. 21st; Yugoslavia, Egypt, of Dec. 28th; Prague and Australia, of Jan. 4th 1941; U.S. Federal Reserve, Canada, Bulgaria, Japan, New Zealand, Federal Reserve Reporting Member Banks, Portugal, South Africa, of January 11, 1941.

RESERVE BANK OF INDIA

Million rupees	Jan. 1940	Dec. 20, 1940	Dec. 27, 1940	Jan. 3, 1941
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	634	300	297	299
Balances abroad	60	560	572	596
Sterling securities	1,075	1,315	1,315	1,315
Indian Gov. rupee sec.	383	496	496	496
Investments	65	67	67	75
LIABILITIES				
Notes in circn.: India	2,258	2,254	2,286	2,300
Burma	117	122	127	134
Deposits: Govts.	108	164	164	178
Banks	105	499	480	477
Reserve ratio	59.9%	68.9%	68.9%	68.9%

CENTRAL BANK OF TURKEY

Million Turkish pounds	Sept. 21, 1940	Sept. 28, 1940	Oct. 5, 1940	Oct. 12, 1940
ASSETS				
Gold	108.5	108.5	108.5	108.3
Clearing and other exch.	20.1	18.0	20.2	21.2
Treasury bonds	130.4	130.4	130.4	130.4
Commercial bills	258.5	257.4	250.6	262.9
Securities	55.8	55.6	55.5	55.4
Advances	59.9	63.8	65.9	64.7
LIABILITIES				
Notes in circulation	305.0	368.4	368.4	368.4
Deposits	150.4	146.4	147.6	151.5
Clearing & other exch.	28.7	28.8	29.4	30.0

BANK OF SWEDEN.—Million kronor

ASSETS	Oct. 23, 1939	Sept. 23, 1940	Oct. 7, 1940	Oct. 23, 1940
Gold reserve	1939	1940	1940	1940
Secondary cover:	635-4	648-1	637-5	630-7
Swedish assets	313-7	704-5	698-9	682-5
Foreign assets	495-9	701-7	755-4	778-2
LIABILITIES				
Notes in circulation	1181-9	1370-0	1401-9	1343-5
Deposits: Government	313-9	174-8	176-9	209-3
Banks & others	307-8	205-2	236-5	255-3

† Including "gold abroad not included in gold reserve."

SHORTER COMMENTS

(Continued from page 83)

English Clays Lovering.—Net profit, year to September 30th, £96,711 (£104,117), after taxation, £94,929 (£104,135). Ordinary dividend 1½ per cent. (2½ per cent.). Leasehold and mortgage redemption reserve, £15,000 (£15,000). General reserve, £10,000 (£10,000). Carry forward, £61,125 (£40,368).

Manufacturers Trust Co., New York.—Deposits December 31st, 1940, \$953,709,060 (\$762,763,244). Total resources, \$1,050,459,262 (\$861,154,221). Cash, \$388,847,897 (\$267,372,519). U.S. Government stocks, \$326,449,037 (\$282,493,190). Loans &c. \$215,187,558 (\$189,415,410). Preferred and common stocks, surplus and undivided profits \$82,734,605 (\$82,268,069).

Rio de Janeiro Flour Mills.—Net profit, year to September 30th, £64,926 (£75,023). Total dividend 8 per cent. as before. Carry forward, £53,295 (£53,198).

Bluemel Bros.—Net profit, year to September 30th, £17,107 (£7,878). Income tax and N.D.C., £2,144 (£1,748). Employees' fund, £500 (nil). Ordinary dividend 10 per cent. (same). Carry forward, £2,988 (£1,725).

Monotype Corporation.—Net profit, year to September 30th, £38,010 (£44,626). Written back for profits on instalments, £15,587 (£16,893). Continental business reserve, £30,000 (£10,000). General reserve, £25,000 (£25,000). Total ordinary dividend 7 per cent. (8 per cent.).

Imperial Bank of India.—Net profit for six months ended December 31st, Rs.33,33,800, against Rs.44,69,835 previous half-year and Rs.38,14,477 six months to December 31st, 1939. Ordinary dividend 12 per cent. per annum, tax free (same). Pensions fund, Rs.60,000 (Rs.70,600). Carry forward, Rs.38,60,600 (Rs.39,62,566).

Union Bank of Australia.—Net profit, year to August 31st, £196,958 (£225,087). Total dividend 7 per cent. as before. Carry forward, £159,809 (£157,351). Deposits, £41,549,130 (£38,744,130). Bills discounted, £31,885,921 (£35,483,941). Investments in Government securities, £6,460,212 (£4,060,212).

Michael Nairn and Greenwich.—Net income, year 1940, £186,773 (£227,019). Total ordinary dividend, 14 per cent. (15 per cent.). Carry forward, £62,572 (£63,203).

North of Scotland Bank.—Net profit for 1940, £215,345 (£236,543). Dividend unchanged at 10 per cent. Reserve fund, £15,000 (Contingencies £35,000). Buildings £5,000, Superannuation £10,000, Widows' and Dependents' fund £5,000 (all unchanged). Carry forward, £100,612 (£102,827).

Metropolitan Water Board.—Gross income, year to March 31st, 1940, £5,526,610 (£5,648,540). Net revenue, £2,048,956 (£2,218,154). Interest charges, £1,761,367 (£1,726,471). Redemption charges, £206,695 (£592,944), leaving deficit £428,118. Debt forward, £361,457 (credit brought in, £66,662).

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended Jan. 13, 1940	Jan. 11, 1941	Aggregate Jan. 1 to Jan. 11, 1941	Week ended Jan. 13, 1940	Jan. 11, 1941	Aggregate Jan. 1 to Jan. 11, 1941
Working days:						
Birmingham	2,640	3,265	5,870	5,178	1,705	3,384
Bradford	1,521	1,987	3,508	455	489	1,010
Bristol	1,530	1,709	2,993	2,807	790	1,828
Hull	905	785	1,691	1,370	116	875
Leicester	1,053	949	2,070	1,370	116	875
Liverpool	5,824	4,904	11,570	7,344	11,825	8,753
Manchester	11,475	11,614	25,158	20,716	116	177
Newcastle	1,705	1,705	3,384	2,567	116	177
Nottingham	455	489	1,010	790	116	875
Sheffield	790	665	1,828	1,370	116	875
10 Towns	27,907	...	57,520	...	...	...
Dublin*	11,825	...	8,753	...	...	...
So'th'p'ton†	...	...	...	...	...	...

* January 6, 1940, and January 4, 1941.
† Clearing begun May 14, 1940.
Aggregates given last week were those for the years January 1 to December 30, 1939, and January 1 to December 31, 1940, not to December 30 and December 25 respectively as stated.

MONEY RATES, LONDON

The following rates remained unchanged between Jan. 9th and Jan. 15th:—Bank rate, 2% (changed from 3% October 26th, 1939). Discount rates: Bank Bills, 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1½%; 6 months, Jan. 9, 1½-1½%; Jan. 10-15, 1½%. Treasury bills: 2 months, 1-1½%; 3 months, 1½%; Day-to-day money, 1-1½%. Short loans, 1-1½%. Bank deposit rates, 1%. Discount deposits at call, 1½% at notice, 1½%.

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
Jan. 9	23½	23½	Jan. 13	23½	23½
" 10	23½	23½	" 14	23½	23½
" 11	23½	23½	" 15	23½	23½

NEW YORK EXCHANGE RATES

New York on	Jan. 8, 1941	Jan. 9, 1941	Jan. 10, 1941	Jan. 11, 1941	Jan. 13, 1941	Jan. 14, 1941
London:—						
Cables	403½	403½	403½	403½	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.	40-05	40-05	40-05	40-05	40-05	40-05
Montreal, Can \$	23-45	23-45	23-45	23-45	23-45	23-45
Japan, Yen	23-45	23-45	23-45	23-45	23-45	23-45
Shanghai, \$	5-66	5-66	5-66	5-66	5-66	5-66
B. Aires, Pao. (mkt. rate)	23-60†	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

THE WEEKLY COMPANIES REPORT													
Company	Year Ending	Total Profit	Depreciation	Net Profit	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Ord. %	Free Reserves	+ or - in c/f	Total Profit	Net Profit	Ord. %
		£	£	£	£	£	£	%	£	£	£	£	%
Canals and Docks													
Smith's Dock Co.	Sept. 30	437,282	50,000	78,704	112,469	5,750	34,500	6	30,000	+ 8,454	274,197	77,798	6
Hotels, Restaurants, etc.													
Jones (B. E.), Ltd.	Oct. 31	23,921	...	2,030	14,248	...	...	...	...	+ 2,030	26,048	6,083	Nil
Motor Cycle & Aviation													
Bluemel Bros., Ltd.	Sept. 30	26,167	7,752	14,463	16,188	4,200	9,000	10	...	+ 1,263	16,575	6,129	10
Rubber													
Ledang Bahr	July 31	45,398	2,800	22,693	28,893	...	23,250	7½	...	+ 557	18,362	11,959	3½
Ratanul	June 30	14,789	...	6,751	8,046	...	6,000	10	...	+ 751	5,407	2,120	2½
Sungel Kari (Sumatra) ...	June 30	6,965	50	3,783	5,217	...	2,925	7½	...	+ 858	2,736	927	2½
Textiles													
Barran (John) & Sons	Oct. 31	67,821	...	41,194	67,253	17,550	15,448	7	...	+ 8,196	41,528	33,190	7
Roberts (J. F. & H.), Ltd.	Nov. 30	46,337	...	41,837	74,215	5,000	31,250	12½	...	+ 587	39,282	37,782	12½
Tramway and Omnibus													
National Omnibus, &c. ...	Dec. 31	182,223	...	116,636	148,958	17,500	87,500	7½	10,000	+ 1,636	163,096	109,508	7½
Other Companies													
Ley's Foundries & Engng.	Sept. 30	108,467	...	65,385	88,859	12,938	36,438	11	...	+ 16,000	98,222	65,668	11
Landley (C.) & Co.	Sept. 30	87,049	4,427	15,588	33,482	1,527	7,244	25	...	+ 6,817	51,440	14,331	25
Michael Nairn, Greenwich	Dec. 31	190,919	...	186,773	249,977	...	187,404	14	...	+ 631	230,968	227,019	15
Millar (A.) & Co.	Oct. 31	5,513	...	5,012	11,712	2,087	2,867	4	...	+ 58	5,570	5,090	4
Pound (John) & Co.	Aug. 31	11,882	4,215	3,334	6,014	2,875	...	...	...	+ 459	15,245	4,046	Nil
Rio De Janeiro Flour	Sept. 30	143,395	...	64,927	118,125	...	64,830	8	...	+ 97	146,573	75,023	8
Totals (£'000's):	No. of Cos.	1,407	69	669	982	69	509	...	45	+ 46	1,135	677	...
Week to Jan. 18, 1941	15	1,407	69	669	982	69	509	...	45	+ 46	1,135	677	...
Jan. 1 to Jan. 18, 1941	31	12,075	565	3,795	12,746	1,032	7,290	...	363	+ 110	11,704	9,353	...

BRITISH WHOLESALE PRICES

	Jan. 7, 1941	Jan. 14, 1941	Jan. 7 1941	Jan. 14, 1941
1. <u>General</u>				
2. <u>Specific</u>				
3. <u>Other</u>				
4. <u>Remarks</u>				

Jan. 7, Jan. 14,
1941 1941

MISCELLANEOUS

CEMENT, best Eng. Portland, d/d site, London area,
in paper bags or jute sacks 20 to ton—(a).

	s. d.	s. d.
4-ton loads and upwards per ton	49 6	49 6

CHEMICALS—

Acid, Oxalic, net.....per ton	59/5 0	59/5 0
" Tartaric, English, less 5% lb.	2 0½	2 0½
Ammonia, Sulphate.....per ton	9/19 0	10/14 0
Nitrate of Soda.....per ton	10/14 0	18/15 0
Potash, Sulphate.....per ton	11/0 0	11/0 0
Soda Bicarb.....per ton	5/0 0	5/0 0
Soda Crystals.....per ton	5/5 0	5/5 0

COPRA (per ton)—S.D. Straits, c.i.f.	12/10 0	12/10 0
---	---------	---------

HIDES (per lb.)—

Wet salted Austria.....	0 5½	0 5½
Iran, Queensland.....	0 5½	0 5½
Cape, Jo'burg Rand.....	0 7½	0 7½
Dry Cakes, 18/20 lb.		
English & Welsh Market Hides—		
Best heavy ox and heifer.....	0 7½	0 7½

LEATHER (per lb.)—

Sole Bends, 8/14 lb.	1 6	1 6
	3 8	3 8
Shoulders.....	0 11	0 11
	2 0	2 0
Insole Bellies.....	1 2	1 2
	1 10	1 10
Dressing Hides.....	2 4	2 4

PETROLEUM PRODUCTS (per gal.)

Motor Spirit, England & Wales	1 9	1 9
(b) Kerosene, Burning Oil.....	0 11	0 11
Vaporising Oil.....	0 11½	0 11½
(b) 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 8 0	0 8 0

ROBIN (per ton)—American.....	25/0 0	25/0 0
	30/0 0	30/0 0

RUBBER (per lb.)—

St. ribbed smoked sheet.....	1 0½	1 0½
------------------------------	------	------

SHELLAC (per ton)—TN Orange	87/10 0	87/10 0
TALLOW (per cwt.) London Town	22 10	22 10

VEGETABLE OILS (per ton net)—

Linseed, raw.....	41/10 0	41/10 0
Rape, crude.....	44/5 0	44/5 0
Cotton-seed, crude.....	31/2 6	31/2 6
Coconut, crude.....	28/2 6	28/2 6
Palm.....	20/15 0	20/15 0
Oil Cakes, Linseed.....	7/7 0	7/7 0
La Plata (new).....	11/10 0	11/12/6
Calcutta.....	18/11/3	18/11/3

(c) Price is at buyers' premises.

COTTON—continued.

Cloth, 36 in. Shirtings, 75 yds., 19 x 19, 32's & 40's.....	s. d.	s. d.
" 38 in. ditto, 38 yds., 18 x 16, 10 lb.....	13 2	13 2
" 39 in. ditto, 37½ yds., 16 x 15, 8½ lb.....	12 2	12 2
FLAX (per ton)—	£ s.	£ s.
Livonian ZK.....	Nom.	Nom.
Pernau HD.....	Nom.	Nom.

HEMP (per ton)—Manilla, spot " J2.....	26/0 0	26/0 0
---	--------	--------

JUTE (per ton)—

Dalsee 2/3, c.i.f. Dundee, Nov.-Dec. (new).....	27/0 0	27/0 0
Common 8 lb. cops. (per spindle)	s. d.	s. d.
104/40 Hessians, per yd.....	0 5½	0 5½
8/40 Hessians, per yd.....	0 4½	0 4½

Sisal (per ton)—African, Jan.- Mar.—No. 1.....	£ s.	£ s.
	26 0	26 0

WOOL (per lb.)—

Lincoln wethers, washed.....	10½	10½
Selected blackfaced, greasy.....	14 14	14 14
Australian serf. fleece, 70's.....	37 37	37 37
Cape serf. average snow white N.Z. serf. 2nd pieces, 50-56's.....	20½	20½
Tops.....	24 24	24 24
64's warp.....	45 45	45 45
66's super carded.....	39 39	39 39
48's average carded.....	31 31	31 31
44's prepared.....	29½	29½

MINERALS

GOAL (per ton)—	s. d.	s. d.
Welsh, best Admiralty.....	31 7	31 7
Durham, best gas, f.o.b. Tyne.....	27 0½	27 0½

IRON AND STEEL (per ton)—

Pig, Cleveland No. 3, d/d.....	128 0	128 0
Bars, Middlesbrough.....	312 6	312 6
Steel rails, heavy.....	290 6	290 6
Timplates (home, i.c. 14 x 20).....	29 9	29 9

NON-FERROUS METALS (per ton)

Copper (c)—Electrolytic.....	62/0 0	62/0 0
	25½/15	25½/15
Tin—Standard cash.....	257/0 0	257/0 0
	255/15	255/15
Three months.....	260/0 0	259/15 0

Lead (d)—Soft foreign, cash.....	25/0 0	25/0 0
Spelter (d)—G.O.B., spot.....	25/15 0	25/15 0
Aluminium, ingots and bars.....	110/0 0	110/0 0
Nickel, metal delivery.....	190/0 0	190/0 0
	195/0 0	195/0 0

Antimony, Chinese.....	85/0 0	85/0 0
Wolfram, Empire.....per unit	87/0 0	87/0 0
Platinum, refined.....per oz.	2/10 0	2/10 0
	9/0 0	9/0 0

Quicksilver.....per 76 lb.	48/0 0	48/0 0
	48/0 0	48/0 0

	s. d.	s. d.
GOLD, per fine ounce.....	168 0	168 0
SILVER (per ounce)—		
Cash.....	0 11½	0 11½

	s. d.	s. d.
Raw, Mid-American.....	8.80	8.72
Giza, F.G.F.....	12.13	12.10
Yarns, 32's Twist.....	15.82	15.90
40's Twist.....	17.07	17.15
60's Twist (Egyptian).....	26.50	26.20
Cloth, 32 in. Printers, 116 yds.	s. d.	s. d.
18 x 16, 32's & 50's.....	24 3	24 3

	s. d.	s. d.
Wheat.....	27 0	27 0
Eng. Gaz. av., per cwt. (c).....	14 7	
Flour, per 280 lb.....		
Straight, d/d London.....	25 6	25 6
Barley (Eng. Gaz. av., per cwt)(c)	22 0	
Oats (c).....	14 10	
Malt (c).....	12 1½	12 0
Rice, Burma, No. 2, per cwt.f.o.b.		
MEAT —Beef, per 8 lb.—		
English long sides.....	4 8	4 8
Imported hinds.....	6 0	6 0
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.....	99 2	99 2
Imported.....	99 2	99 2
COCONA (per cwt.).....		
Accra, g.f.....	35 0	35 0
Grenada.....	62 0	67 0

COFFEE (per cwt.)—

Santos supr. c. & f.....	Nom.	Nom.
Costa Rica, medium to good.....	90 0	90 0
EGGS (per 120)—English.....	120 0	120 0
LARD (per cwt.)—Imported.....	32 6	32 6
POTATOES (per cwt.).....	04 0	64 0

SUGAR (per cwt.)—

Centrifugals, 96", prpt. shipm.		
c.i.f. U.K./Cont.....	7 6	7 6
REFINED LONDON.....		
Granulated, 2 cwt. bags.....	40 6	40 6
Granulated, 2 cwt. bags, domestic consumption.....	31 2	31 2
West India Crystallised.....	38 0	38 0
	41 6	41 6

TOBACCO (per lb.)—

Indian stemmed.....	0 5½	0 5½
stemmed.....	0 10½	0 10½
Rhodesian, stemmed and un-	0 10½	0 10½
stemmed.....	2 0	2 0

TEXTILES

COTTON (per lb.)—	d.	d.
Raw, Mid-American.....	8.80	8.72
Giza, F.G.F.....	12.13	12.10
Yarns, 32's Twist.....	15.82	15.90
40's Twist.....	17.07	17.15
60's Twist (Egyptian).....	26.50	26.20
Cloth, 32 in. Printers, 116 yds.	s. d.	s. d.
18 x 16, 32's & 50's.....	24 3	24 3

COTTON—continued.

	s. d.	s. d.
Wheat.....	27 0	27 0
Eng. Gaz. av., per cwt. (c).....	14 7	
Flour, per 280 lb.....		
Straight, d/d London.....	25 6	25 6
Barley (Eng. Gaz. av., per cwt)(c)	22 0	
Oats (c).....	14 10	
Malt (c).....	12 1½	12 0
Rice, Burma, No. 2, per cwt.f.o.b.		
MEAT —Beef, per 8 lb.—		
English long sides.....	4 8	4 8
Imported hinds.....	6 0	6 0
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

	s. d.	s. d.
Wheat.....	27 0	27 0
Eng. Gaz. av., per cwt. (c).....	14 7	
Flour, per 280 lb.....		
Straight, d/d London.....	25 6	25 6
Barley (Eng. Gaz. av., per cwt)(c)	22 0	
Oats (c).....	14 10	
Malt (c).....	12 1½	12 0
Rice, Burma, No. 2, per cwt.f.o.b.		
MEAT —Beef, per 8 lb.—		
English long sides.....	4 8	4 8
Imported hinds.....	6 0	6 0
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

(a) & 6s. per ton net paper bags, jute sacks, charged 1s. 9d., credited 1s. 6d. on return.

(c) Average weeks ended Jan. 4th and Jan. 11th.

(b) Higher Pool prices in some zones.

(c) Average weeks ended Jan. 4th and Jan. 11th.

BANK AND DISCOUNT COMPANY BALANCE SHEETS

	Jan. 7, 1914	Jan. 14, 1914		Jan. 7, 1914	Jan. 14, 1914		Jan. 7, 1914	Jan. 14, 1914
	Cents	Cents		Cents	Cents		Cents	Cents
GRAINS (per bushel)—			METALS (per lb.)—cont.			MISCELLANEOUS (per lb.)—cont.		
Wheat, Chicago, May	87½	87½	Spelter, East St. Louis, spot ..	7-25	7-25	Petroleum, Mid.-cont. crude,	102	102
Winnipeg, May	77½	77½	MISCELLANEOUS (per lb.)—			per barrel	20½	19½
Malfe, Chicago, May	62½	62½	Cocoa, N.Y., Accra, Jan.	4-85	4-07	Rubber, N.Y., smkd. sheet spot	20½	19½
Oats, Chicago, May	37½	36½	Coffee, N.Y., cash—			Feb.-Mar.		
Rye, Chicago, May	48½	47½	Rio, No. 7	5½	5½	Sugar, N.Y., Cuban Cent., 96		
Barley, Winnipeg, Dec.	45	45½	Santos, No. 4	7½	7½	deg., spot	2-91	2-95
METALS (per lb.)—			Cotton, N.Y., Am. mid., spot ..	10-60	10-45	Sugar, N.Y., 96 deg., No. 4,		
Copper, Connecticut	12-00	12-00	Cotton, Am. mid., Jan.	10-37	10-29	L.O.B. Cuba, Mar.	0-71½	0-77
Tin, N.Y., Straits, spot	50-10	50-10	Cotton Oil, N.Y., Jan.	6-36	6-67	Moody's Index of staple com-		
Lead, N.Y., spot	5-50	5-50	Lard, Chicago, Jan.	5-12½	5-27½	modities, Dec. 31, 1931=100	172-8	178-4

BANK AND DISCOUNT COMPANY BALANCE SHEETS

ALEXANDERS DISCOUNT COMPANY LIMITED

(£ thousands)

LIABILITIES	Dec. 31, 1939	Dec. 31, 1940	ASSETS	Dec. 31, 1939	Dec. 31, 1940
Capital	1,000	1,000	Cash	680	679
Reserve	1,000	1,000	British Government securities	5,783	13,582
Loans, deposits, etc.	31,132	37,618	Other securities	52	55
Bills re-discounted	1,037	536	Bills discounted	27,805	26,045
Rebate on bills dis-			Loans and sundry		
counted	195	202	accts.	281	241
Profit and loss	237	246			
Total	34,601	40,602	Total	34,601	40,602

NATIONAL DISCOUNT COMPANY LIMITED

(£ thousands)

LIABILITIES	Dec. 31, 1939	Dec. 31, 1940	ASSETS	Dec. 31, 1939	Dec. 31, 1940
Capital paid up	1,000	1,000	Cash	1,220	1,444
Reserve fund	1,150	1,250	Investments	5,078	18,564
Deposits, etc.	43,873	49,978	Loans	291	332
Bills re-discounted	7,348	3,849	Bills discounted	46,379	35,908
Profit and loss	306	271	Freehold premises	100	100
Total	53,677	56,348	Total	53,677	56,348

MARTINS BANK LIMITED

(£ thousands)

LIABILITIES	Dec. 31, 1939	Dec. 31, 1940	ASSETS	Dec. 31, 1939	Dec. 31, 1940
Capital	4,160	4,160	Cash at Bank of England	12,475	14,317
Reserve	3,600	3,600	With other banks	3,555	4,771
Dividend	312	312	At call	8,530	6,140
Carry forward	331	348	With banks abroad	166	12
Deposits	110,420	123,313	Treasury bills	0,255	6,490
Notes in circulation			Treasury deposit receipts ..		9,000
(I.O.M.)	19	20	Bills discounted		908
Acceptances	1,722	995	Investments	34,172	45,627
Endorsements, etc.	6,002	7,808	Advances	46,252	38,453
			In transit	3,060	2,844
			Other assets	722	886
			Premises	2,747	2,845
			Acceptances and en-		
			dorsements, etc.	7,724	8,803
Total	126,566	140,556	Total	126,566	140,556

ALEXANDERS DISCOUNT COMPANY, LIMITED

24 LOMBARD STREET, LONDON, E.C.3

Telegrams: "Alexanders, Stock-London."

ESTABLISHED 1810.

Telephone: Mansion House 8151 (3 lines)

CAPITAL (Authorised) - - - £1,800,000

Subscribed £1,800,000
£200,000 in £2 (fully-paid 6 per cent.) CUMULATIVE PREFERENCE SHARES
£1,600,000 in £2 ORDINARY SHARES (£1 paid)

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., O.B.E., A.D.C.
SIR AUSTIN EDWARD HARRIS, K.B.E.
FRANK NEWCOMB.

MANAGER—FRANK NEWCOMB.

JOINT SUB-MANAGERS—E. J. ROWIE, A. MACNAGHTEN.

SECRETARY—P. C. TONG.

SEVENTY-THIRD REPORT OF THE DIRECTORS

To be submitted to the Shareholders at the ORDINARY GENERAL MEETING to be held at the Offices of the Company, 24 Lombard Street, in the City of London, on Wednesday, the 22nd day of January, 1941, at Two o'clock in the Afternoon.

The Directors beg to submit to the Shareholders the statement of the affairs of the Company for the year ending 31st December, 1940.

The Accounts, including the balance brought forward from last year, and after provision for bad and doubtful debts, taxation and contingencies, show a gross profit of £582,312 9s. 11d. After allowing rebate of interest on bills not yet due, amounting to £201,796 8s. 0d., and deducting current expenses and interim dividend, there remains a balance of £251,570 0s. 6d.

Out of this sum the Directors have transferred £5,000 to the Clerks Widows' Pension Fund and recommend the payment of a dividend on the Preference Shares at the rate of 6 per cent. per annum, and on the Ordinary Shares at the

rate of 20 per cent. per annum for the final half-year, making 17½ per cent. for the year, carrying forward to next account £180,570 0s. 6d.

During the year Mr. B. F. Crowdon resigned his position as Sub-Manager of the Company, and Mr. E. J. Rowie and Mr. A. Macnaghten have been appointed Joint Sub-Managers.

The Members of the Board retiring by rotation are Mr. Colin Frederick Campbell and Mr. Robert Alexander, who, being eligible offer themselves for re-election.

The Auditors of the Company, Messrs. Price, Waterhouse & Co., who retire in accordance with the Articles of Association, offer themselves for re-appointment.

The Dividends will be payable on and after 23rd inst.

By Order of the Board,
P. C. TONG, Secretary.

24, Lombard Street, London, E.C.3.
18th January, 1941.

Dr. Profit and Loss Account, for the Year ending 31st December, 1940 Cr.

	£	s.	d.	£	s.	d.
To Directors' Remuneration				8,972	13	6
Current Expenses, including Salaries, Rent and Rates and all other charges				53,973	7	11
Transferred to Clerks Widows' Pension Fund				5,000	0	0
Balance appropriated as follows—						
Interim Dividend paid last July—						
Preference	5,000	0	0			
Ordinary	60,000	0	0			
Dividend for the final half-year—						
Preference	6,000	0	0			
Ordinary	80,000	0	0			
Carried forward	152,000	0	0			
	180,570	0	6			
				312,570	0	6
				£380,516	1	11
				£380,516	1	11
				£180,570	0	6

Dr. BALANCE SHEET, 31st December, 1940 Cr.

	£	s.	d.	£	s.	d.
To Authorised Capital, 900,000 Shares of £2 each	£1,800,000	0	0			
Of which there have been issued—						
100,000 £2 6% Cumulative Preference Shares, fully paid	200,000	0	0			
800,000 £2 Ordinary Shares, £1 paid	800,000	0	0			
with a reserve liability of £800,000.						
Reserve Fund				1,000,000	0	0
Loans, Deposits, Contingency and other Accounts				1,000,000	0	0
Bills Re-discounted	37,617,721	0	6			
(Of the above Liabilities to the amount of £37,725,768 3s. 2d. are secured on certain assets per contra.)	535,837	6	5			
Rebate on Bills Discounted				38,153,558	6	11
Balance of Profit and Loss				201,796	8	0
				246,570	0	6
				£40,601,824	15	5
				£40,601,824	15	5

P. C. TONG, Secretary.

COLIN F. CAMPBELL
AUSTIN E. HARRIS
ERIC GORE BROWNE

Directors.

AUDITORS' REPORT.

We report to the Members that we have obtained all the information and explanations we have required. We have examined the Securities and Bills in hand and verified those in the hands of Depositors. In our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the Books of the Company.

PRICE, WATERHOUSE & CO.
Auditors.

THE ECONOMIST

Vol. CXL

JANUARY 25, 1941

No. 5083

CONTENTS**LEADING ARTICLES**

Industrial Mobilisation 95
Spain and the New Order 96
The Meaning of Fire 98

NOTES OF THE WEEK

Africa: Advance on All Fronts 99
Before a New Offensive 99
Conscription for Civil Defence 99
The War Cabinet 100
"Good Sense" in Wages 100
The Workhouse Principle 100
The Price of Overtime 101
Laval Again 101
Second Thoughts in the Balkans 101
The Inauguration 101
Organisation of Road Transport 102
Suppression of a Newspaper 102
Conduct of a Member 102
The Book Trade After the Fire 103
Lifts for the Troops 103
Exchange and Mart 103
Shorter Notes 103

THE WORLD OVERSEAS

The Exploitation of Holland 104
Turkish Foreign Trade 105
Czechoslovakia in the New Year 105
Hongkong's Trade Prospects 106
Commercial Banking Trends in the U.S.A. 107

THE BUSINESS WORLD**LEADING ARTICLES**

Continental Bourses 108
War Risks on Export Goods 110

FINANCE AND BANKING

Scarce Credit 111
Sterling Area in Africa 111
Erlangers' Acceptances 111
Life Assurance New Business 112
More Exchange Loopholes Closed 112

INVESTMENT NOTES

Long Term Factors 112
Need for Longer Session 113
"Tap" Issue Results 113
Commonwealth Mining Affairs 114
Home Rail Enigma 114
Tobacco Prospects 114
Lancashire Banking Earnings 114
THE STOCK EXCHANGES 116
CAPITAL ISSUES 116
SHORTER COMMENTS 116

INDUSTRY AND TRADE

Chemical Control Board 117
Control of Cold Storage Industry 117
Rise in Rayon Prices 117
Quicksilver Supplies and Prices 117
Is Nazi Europe Short of Oil? 117
Enterprise on the Downs 118
The Economist Trade Supplement 118
COMMODITY AND INDUSTRY NEWS 118

COMPANY MEETINGS

..... 120

CURRENT STATISTICS

..... 129

Industrial Mobilisation

ON Tuesday, Mr. Bevin announced the Government's new plans for mobilising industrial manpower. It was an important and gratifying statement. The time has come, the Minister declared, for greater recruitment of labour from non-essential occupations and from among the unoccupied. Non-essential trades, and especially clerical and managerial work, are to be closely scrutinised, in order to release men for fighting or war work, and in order to replace men by women wherever possible—a policy which is also to be applied to the host of non-combatant functionaries in the Army itself, who often considerably outnumber the men actually expected to fight. An industrial register is to be made, on the basis of which it will be possible to call up men and women for war employment. In effect, it is recognised that the Army has two parts, one that fights and does ancillary duties in uniform, the other that works to equip them. The two forces are to be recruited on a common basis. Finally, in view of the importance of maintaining the existing labour force and the efficiency of war factories, permission for employers to dismiss workers and for employees to leave their work, in the case of certain vital industries to be stated later, will have to be obtained from a representative of the Ministry of Labour; and the production departments will have power to replace inefficient managements.

It is probably too soon to see in these plans an intention to introduce large-scale industrial conscription in the near future. The Minister made it plain that, in his view, the wide powers granted to the Government were to be regarded as "sanctions in the background." Indeed, it would not be possible for Mr. Bevin to institute wholesale compulsion forthwith. To say this is to cast no doubts on the Minister's determination. His speech was a welcome and significant event. It indicated a change in his personal

views which represents a sharp break with the routine tenets of the political groups to which he unswervingly belongs. The principles upon which the Government now proposes to act were in the minds of the many people who advocated a full national register even before the war started, and were sorely disappointed by the barren count actually taken under that title after its outbreak. It seemed common sense, not only to make a global approximation of the labour that would be "surplus" in each of the civilian trades under war conditions, but also to devise machinery for directing dispensable individuals in those trades to undertake essential work. Now these steps are being taken. But the call-up cannot begin until the machinery has been completed. The plan announced by Mr. Bevin is still only half a plan. It is a plan to place men and women at present in non-essential trades into war employment. It lacks the necessary complementary measures to make men and women available for placing.

The absence of means to "slim" civilian industry and trade efficiently and economically has been a gap in manpower policy for seventeen months. The fighting regiments and their auxiliaries have been called up in successive age-groups according to the misleading precision of the Schedule of Reserved Occupations, without full regard to the effect of the sudden, scattered, and indiscriminate withdrawal from industry of large bodies of men, or even to the actual importance to the nation of the work in fact being done by the individuals reserved. Men have been called up whose relative importance to the occupations or firms from which they were taken—and which have to be carried on in a shrunken form—was perhaps greater than that of men left behind. Other men, by reason of occupational qualifications which might fit them for national work, have been

reserved to continue in work of no national importance at all. This defect in the Schedule has been becoming more and more apparent, and several emendations in procedure have been made to place the proof for reservation less on mere categories of qualifications and more on the actual work being done by particular individuals—as in the case of “managerial” reservations. Now, when the industrial regiments are to be brought within the frame of recruitment, it is vitally important to pay as much attention to the process of freeing men from their civilian jobs, and to the relative importance of those jobs in actual fact, as to the procedure for bringing them to their war stations.

There are further pressing duties that must be urged upon the Government. The task of making a man's actual job the criterion of his importance, and not his nominal “occupation,” should not be difficult; it has already been started. The complementary task of adjusting civilian industries in the most efficient way to their depletion by the calls of the services and the war industries requires closer thought. At present, men and women are made available for war work in two ways. The Board of Trade, by the drastic limitation of supplies to individual firms, encourages them to cut down their staffs; and, secondly, individual workers can volunteer for training in Government centres. The effect of the first method, because it is applied to individual concerns and carries with it no scheme to concentrate permitted production on the most efficient firms in whole industries or in homogeneous groups of undertakings, is to produce only a derisory result in the number of workers set free; the policy is rather to *limit* the unemployment created. The second method is still less effective: the training centres, run on the principle of “less eligibility,” offer little or no inducement to volunteers; and they are by no means full.

Now a third method is proposed—the method of compulsion. No clear indication has been given of how the workers registered under the new plan are to be called up. But it would be a grievous error, industrially, economically and socially, if it was done indiscriminately by ordering large batches of men and women, in, say, age groups or according to localities, suddenly to down their tools and leave their desks, without reference to the consequences of their going upon the industries they belong to. *Their trades must be prepared for their departure.* The fact is that, in a war economy, it is no less important to organise the civilian industries for war than it is to organise the war industries themselves. The overriding object in both cases is to obtain the maximum output of goods and services from the minimum use of resources of labour, plant, and materials. Even though the permitted output of certain trades may be drastically curtailed, the need for the utmost economy of resources still stands. Indeed, since the proper aim of these restrictions is to *release* resources

for more important trades, this need is especially pressing.

Thus, Mr Bevin's plan for industrial mobilisation requires an addendum—a plan to *demobilise* labour in the non-essential trades. And it is a plan that cannot be applied to individual firms in isolation, but to whole trades or industries. The limited amount of work that is allowed or adjudged necessary in these trades or industries must be done in the most efficient way, by the most efficient units; wasteful or uneconomic units, whether firms or departments of firms, must be closed down. It is not hard to find examples: small firms struggling on with disproportionately large staffs; redundant shops and offices; sales organisations. No firm or department, serving no proved use, has any inherent right to remain in business, though all have a claim to compensation for compulsory closing down or to the means to maintain useful plant in running order. The work of weeding out will not be easy. It involves a system of pooling: the distribution of quotas of labour and materials to groups of businesses; and their allocation to individual concerns under firm Ministerial direction. It means that civilian production will be carried on by industrial groups with their resources and rewards pooled.

It ought not to be too difficult. It is a main part of German war economy; and the tendency in war is for trades and industries to come closer together in the combat against common difficulties, and for their associations to grow in strength and authority—and rapacity. The task of the Government now is to make pools of economy out of these pools of interest. Perhaps the greatest feat asked of Ministers is to remember that the rôle of money is subordinate to the rôle of men and materials, and to realise that money paid in compensation to firms without a war-time function is well spent if it makes labour or other resources available for the war effort.

The Government has at last decided to take steps to expand the industrial army in proportion to plain strategic needs. For too long the cart has been put before the horse. Mobilisation has been confined to the calling-up of soldiers, and bottlenecks have inevitably followed in the supply of their equipment. Now there is likely to be a bottleneck in men, for both in the field and in the factory Hitler can find in Germany and in German Europe many more recruits than we can. The necessity to make the utmost use of the manpower available is correspondingly acute, and, unable to rival the enemy in men, we must outstrip him in equipment. We must translate inferior manpower into superior equipment. Modern wars are won by equipment and mobility, and by next year we shall have the material aid of the United States to add to the fruits of the industrial mobilisation that is now envisaged. But the labour that is needed to make and bear the equipment of victory will not be found unless it is made available.

Spain and the New Order

IT is possible that Hitler will have to fight a full dress war in the Mediterranean, and as a consequence it looks as though the Spanish people, after the respite purchased by General Franco's firmness and by the Nazis' concentration on Britain, are again to move into the front line of diplomatic interest. As an auxiliary in an Atlantic war, Spain is quite valuable enough. In a war to drive the British from the Mediterranean, her harbours and airfields are almost indispensable. For what other reason did the Condor legions fight in Spain?

The atmosphere is perhaps more favourable for German pressure than in October last. The Falange is in a strong position and recent political reshufflings

have increased its strength. To give one example, early in December the Conservative Ministers of Finance, Agriculture, and Public Works were dismissed, their posts abolished and the whole of the domestic affairs of Spain grouped under the one Ministry of Industry and Commerce over which Señor Casceller, one of Suñer's men, is to preside. On the whole, the retiring Ministers represented the traditional outlook on Spain's economic policy—restoration of trade, foreign loans, international co-operation. Their disappearance must strengthen the hold of the expansionist, autarkist school of thought which the Falangists took over from their Axis partners.

If undiluted Falangism is to be Spain's future, foreign policy must finally fall into line. The corollary to self-sufficiency is a territorial empire which makes self-sufficiency possible. There are signs that here, too, the Falange is trying to force the pace. “Non-belligerency” and the first occupation of Tangier in June, Suñer's visit to Berlin and his appointment as Foreign Secretary in October, Colonel Yuste's coup in Tangier in November and recently an exposé by Suñer of Spain's foreign policy in which Tangier is claimed as a “natural right” are all pointers along the way of greater Falangist control in foreign policy. Suñer's January speech is particularly revealing, since he claimed that “geography, history, and natural right” were to Spanish foreign policy what “the theory of living space, the sea ways of their existence, the strategic doctrine of the defence of an empire” were to other Powers. Spanish history could, after all, take Spain anywhere, from Patagonia to the Philippines.

Spain's imperial passion is Germany's opportunity. It is on the point of expansion and aggrandizement that Nazi propaganda most insists. All the immediate objectives of Spanish ambition are, the Germans point out, controlled by the “plutodemocracies.” Gibraltar, Morocco, the Americas are to be reconquered for “Hispanism”—and the realisation of that dream can come only through the “new order” in which the regenerated nations will plunder the decadent. Spain must seize her opportunity now, before the tide of conquest sweeps on. She must jump on the bandwagon while the Nazis are still prepared to find her a place.

Fortunately for the future of Spain, there are other forces in public life besides the Falange, and in Franco the country has a leader still able and determined to arbitrate between them. Although the conservatives are giving ground to the Falange and there is virtually no opposition to their political programme of internal unification, the Army preserves its identity and its enforced absorption into the Falange last year has not led to a *Gleichschaltung* of opinion. In foreign affairs, particularly in adventurous foreign affairs, the Army chiefs can exercise during “pre-belligerency” a control in keeping with their responsibility in time of war. There is every evidence to believe that their influence is steadfastly directed towards peace and that their determination to avoid war is shared by the Caudillo.

To any politician whose mind is not lost in imperial daydreams, it is obvious that Spain's first need is to live, not to expand. As the German *Bankarchiv* put it recently, “Spain is economically annihilated.” An army still marches on its stomach and still fights with weapons forged from costly raw materials. But in Spain to-day there is a deficit of over a million metric tons in the basic wheat supply, supplementing foodstuffs—oil, beans, chickpease—are all rationed while industries are at a standstill for lack of raw materials, skilled labour, and capital. Suñer himself has admitted Spain's “terrible burden of starvation and misery.” It is little credit to his intelligence that he can almost in the same breath conjure up the Empire he is to build on such unpromising foundations.

This picture of dearth and dislocation is in the mind of Spain's saner statesmen when they consider their chances in Hitler's “new order.” Europe knows more about this “new order” than when it was first hawked about as a utopia of riches and stability, and it does not take much wit to see that Spain's dream of power is virtually incompatible with the grim realities of German Europe. If Spain is to be a Great Power, she must have the industrial capacity of a Great Power. She must build up heavy industry. She must save and invest. But if this is her ambition, what can she hope from autarky practised in a ruined community, and what advantage can she gain from the German *Lebensraum*? If autarky is adopted by the most powerful state

in Europe, lesser autarkies will sooner or later be absorbed into it for, to satisfy its need for all essential raw materials within its own frontiers, those frontiers must expand. Autarky can in fact only be practised by the very strong at the expense of the weak and anyone who has devoted even the slightest attention to Spain's shattered economy cannot fail to realise who will be the exploiter, who the exploited.

Even Italy, in a much stronger position economically, is now abandoning autarky in favour of what is euphemistically called “fusion with the German economy.” Spain in the “new order” could hope for no better fate. German control of most of the basic raw materials is known to be strict. Nazi agents in *Hisma* are still in Spain to safeguard German interests. An illuminating sidelight on their activities was the virtual ban imposed by Germany this autumn on the building up of a local car industry—a step that is symptomatic of Germany's determination to keep all her satellite states at a colonial level of exploitation.

Spain must choose between greatness in independence and colonial status in the “new order.” True, she might with German arms conquer Gibraltar and French Morocco—but only in order to hold them in fief for Hitler. Fortunately the choice is not already determined. Even in Europe there are still possibilities open to small states other than those offered by the Nazis. The Peninsula as a whole is still free, and Portugal is a striking example of what can be achieved by a small and not particularly wealthy power, where respect for national independence and sane conditions of international trade still prevail rather than the servitude and autarky of the Third Reich.

If on Señor Suñer's analysis the seaways of the world are held to mean to Britain what *Lebensraum* means to Germany, can any comparison be made between the two systems? Portugal has just celebrated the eight hundredth anniversary of her independence. For the last two hundred years at least of that independence Portugal's existence and that of her empire have been at the mercy of British sea power. *Si monumentum requiris*. . . . To-day, although our blockade is raising problems over the disposal of Portugal's unsold stocks of colonial goods (£1,500,000 lie at Lisbon alone) her commerce can still carry on, her ships sail the seas, her empire is intact. Spain would not be condemned to “plutocratic exploitation” by accepting the benefits of international trade. Portugal shows that it is a safeguard of freedom.

There are signs that Spain has learnt the implications of Germany's *Lebensraum*. In her need she has already turned to the New World. Argentina is granting credits for wheat, the United States has already advanced \$13½ million, and there are rumours of the negotiation of a far larger credit. Britain, too, has played a part. A £2,000,000 credit will forward Spanish purchases in the sterling area and further credits are possible if Spain can furnish the necessary exports in exchange. As Mr Churchill put it: “Far be it from us to lap Spain and her economic needs in the compass of our blockade. All that we need is that she shall not become a channel of supply to our mortal foes . . . there is no problem of blockade that we will not study with a sincere desire to aid Spanish interests and revival. British interests and British policy are based on nothing but the independence and unity of Spain.”

The Prime Minister's words are perfectly sincere, and Portugal is there to show Spain what are our objectives in the Peninsula—stability, prosperity and independence. On the other side of the ledger is the fate of Norway, of the Low Countries, of France, yes, even of Italy. We can only hope that if Hitler is again to seek a choice and a decision from Spain in the next few weeks, the balance sheet will be drawn up and the answer given in the fundamental interests of Spain.

The Meaning of Fire

FIRE insurance has been known in England for well over two hundred years. Both the London Assurance and the Royal Exchange Company were founded as fire offices in the South Sea Bubble; in 1728 a suit on a fire claim (Lynch v. Dalzell) came before the Court of Chancery on a policy signed in 1721; for generations every lease has contained provisions for fire insurance; thousands of millions of pounds sterling have changed hands in premia and in settlement of losses; and less than a fortnight ago the High Court decided for the first time what the word "fire" in a policy of fire insurance really means.

The decision arose out of a very unusual episode. A Mrs Harris had taken out with Lloyd's underwriters a comprehensive policy on the contents of her premises, covering them in one document against fire, burglary and theft. Mrs Harris was particularly afraid of burglary and the loss of her jewels, and it occurred to her that the place in which they would be safest against a burglar's visit was the grate. Wherever else a burglar might look, he would surely never think of investigating the coal in the drawing-room fireplace. So, before she went out, she laid the fire with the jewellery and £100 of money underneath the coal and left the premises happily confident that her valuables at any rate would not be stolen while she was away. And safe from burglary they undoubtedly were.

But they were not safe from the other main peril covered by the comprehensive policy, for Mrs Harris when the time came for lighting the fire forgot her ingenious ruse and applied a match to the coal with over £400 worth of jewellery and £100 of Treasury notes hidden inside it, and she burnt the lot.

In due course Mrs Harris presented her claim to the underwriters and was told, doubtless to her surprise, that the loss was not recoverable. It was true that fire had destroyed the jewellery and the underwriters were careful to say that the *bona fides* of the claim was beyond dispute; but fire "within the meaning of the policy" did not, so the underwriters declared, mean any sort of fire. It meant a fire which broke bounds and did its destructive work outside the place in which it was intended to be, so that the burning of an article secreted in the grate or accidentally thrown on to the drawing-room fire was not the kind of loss against which an insured party was protected.

It probably seemed to Mrs Harris, as it has seemed to many people before her, that this construction of the policy was unfair and ridiculous. It is not unlikely that she was angry with her underwriters for raising such a defence. But it is only fair to the underwriters to say that the answer they gave her and the view they took of the law were not invented by them *ad hoc*. On the contrary their reading of the fire policy was (until this case was tried and decided) the orthodox reading accepted, not only by insurance officials and underwriters, but also by the text books and by at least one of the most eminent commercial lawyers who ever wore a silk gown and adorned the bench of the Court of Appeal.

One of the standard books on the law of insurance is McGillivray's "Insurance Law," which competes with Bunyon and Welford and Otter-Barry for the chief place among the text books on non-marine insurance law and is comparable to Arnold's monumental work on marine insurance. And McGillivray in the 1912 edition defines the word "fire" for purposes of insurance in this way:—

Fire within the meaning of the policy means fire which has broken bounds.

It is clear from this that the learned author would

have rejected Mrs Harris's claim, since the fire which destroyed her jewellery had certainly never broken its bounds, any more than a lion which kills a trainer in a circus cage has broken his bounds to commit the slaying. McGillivray would have been with the underwriters.

And six years after this edition of McGillivray was published a curious case (Upjohn v. Hitchens) came to the Court of Appeal. It was during the last war that Upjohn the landlord found that Hitchens the tenant (who was bound to insure against fire with the Alliance) had not insured against fire arising from enemy bombs. He had not done so for the very good reason that he couldn't. Neither the Alliance nor any other Tariff Office would cover the risk. "That," said Upjohn, "is no business of mine. Fire is fire, whether it comes from a defective flue or a German bomb, and when I said fire I meant fire. The lease is cancelled and I want my premises back."

The Court of Appeal found against Upjohn and decided that fire in a legal document does not necessarily mean fire of any sort. It means only certain kinds of fire—a point that was emphasised by the great Lord Justice Scrutton, who said categorically and clearly without hesitation:—

It has been held that fire within the meaning of a fire policy means fire which has broken bounds.

So the high authority of McGillivray is reinforced by the tremendous weight of Lord Justice Scrutton's opinion expressed without doubt, qualification, or mistrust. It is not to be wondered at that when underwriters refused this claim they thought their reading of the law was an orthodox, indisputable part of the ABC of insurance law.

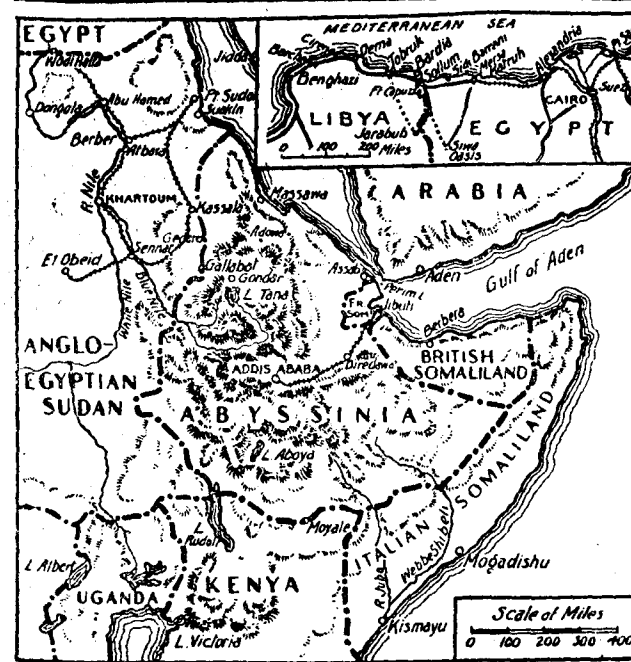
It turned out that they were wrong, for Mr Justice Atkinson found against them and delivered a judgment which blew sky-high both the doctrine of the text books and the *obiter dictum* of the Lord Justice. The essence of his judgment is that on the rules of construction fire means any kind of fire and that the restriction of breaking bounds cannot be imported into the policy by one party to the contract. Unless a conventional meaning of the word can be proved—and Mr. Justice Atkinson held that it was not proved—"fire" must be taken in its ordinary obvious sense, and, furthermore, if there is an ambiguity in its meaning, the benefit of the doubt must be given to the policy-holder, because the document was drawn up by the underwriter—the legal doctrine of *contra proferentem*. And the conclusion to which these rules of construction led him—the conclusion that fire need not have broken bounds to produce a claim—was in his Lordship's view the sensible one. Are we to believe, he said, that if the wind blows the candle flame into the curtain there is a claim, but if it blows the curtain into the candle flame there is none?

On the whole the law has been clarified by the judgment into a more sensible shape, but the astonishing fact remains that it has taken nearly 250 years for this elementary matter to be determined, and hundreds or thousands of policy holders have had claims refused because the only available authorities never been codified and the industry must work on case law which (with all its advantages) fixes the law only on those points that litigants choose to bring before the Courts. And owing to the arbitration clause in all company fire policies very few disputes on fire claims ever reach the Courts. They are decided in secret and contribute nothing to the body of the law. Hence the curious phenomenon of the most important word in the most common of all English contracts being misunderstood by all the experts for more than two centuries.

NOTES OF THE WEEK

Africa: Advance on All Fronts

The week has gone well enough for us in Africa to make the already gloomy background of the Axis meeting gloomier still. On January 19th the Italians abandoned Kassala, whose capture in August was a severe blow to the security of the Sudan, and, unlike the Italians, our troops are following up their victory. The Italian forces were content to sit in Kassala. No serious attempt was made to secure the railway either to north or south, and any decision to advance the 200 miles to Khartoum was early abandoned—if it was ever taken. We, on the contrary, have already advanced far into Eritrea, with surprisingly little resistance from the Italians. Meanwhile, in Abyssinia months of patient preparation are bearing fruit. British officers, going in alone to organise resistance among the tribes, laid the foundations of concerted action, and now that the British are giving the lead we may expect a widespread development of offensive action. It is significant that Ras Kassa, the veteran general of the Italo-Abyssinian war, has passed through Khartoum. And as though



Kassala were not enough for one week, Tobruk has fallen and at least 15,000 more prisoners have been "captured"—if the word is not too melodramatic to describe the rounding up of Italians surrendering *en masse*. And we now control the best naval base in Libya. Our successes raise the question whether Hitler can afford to allow the whole of Italian resistance in North Africa to be wiped out. East Africa—yes; but the Mediterranean seaboard is uncomfortably close to German Europe and the establishment of full British control would free resources for use on other fronts. Germany has an army to spare. There are rumours that sections of it have been training for desert warfare on the sands of East Prussia and preparing for tropical climates by hours of exercise in specially prepared hot-houses. We should undoubtedly be embarrassed by German landings, but no amount of horseplay in the dunes of Pomerania will solve the vital problems of supply in the Libyan desert or of transshipping heavy equipment under the vigilant eye of the British Navy.

Before a New Offensive?

Those who have seen *The Great Dictator* will remember that at the meeting between Hynkel and Napoloni, the robust Italian has it all his own way. As a reviewer of troops, as a god of the populace, even as a thrower of custard pies, the unfortunate Führer is definitely outclassed. Nothing we may imagine could be more unlike the meeting which has actually taken place. Master of a defeated army, an apathetic country and a

crumbling Empire, Mussolini has come, hat in hand, to receive the angry reproaches and contemptuous instructions of his Axis "partner." The Roman papers, justly sensitive, deny that the past was discussed at the meeting, but self-control was never one of Hitler's marked characteristics, and the meeting lasted far into the night. Nevertheless, its significance for us is not its re-creations but in the plans which were laid there for the next phase of the war. First, then, the separate Italian command is to disappear. Unity of command is the euphemism used to express the subordination of the Italian High Command to Keitel. Badoglio would not have stomach this, it is doubtful whether Graziani will. And it says little for the "independent spirit" of the Italian Monarchy that the Crown Prince has allowed himself to be promoted General this very week. Unity of command means that, with the Italians as mercenaries, Hitler is now fighting a war on several fronts, a manoeuvre which has never attracted him. If the past is any guide he may prefer to settle each campaign in turn and the relish and length and explicitness with which the German press has been preparing us for invasion suggests that, in keeping with Germany's habitual deceit, Hitler's immediate objective is perhaps to postpone the invasion until the early summer, and in the meantime to concentrate on ending the menace to his Balkan flank and on rendering our position in the Western Mediterranean untenable. On the other hand, successful invasion would settle the war once and for all, and as the months pass Hitler's need to finish the war certainly grows no less. If this need is the determining factor, widespread Mediterranean action would be merely a preliminary designed to draw off ships and aircraft from the defence of Britain—which is perhaps the more likely interpretation. Britain cannot, after all, be decisively beaten in the Mediterranean, and a decisive defeat is what Hitler needs most.

Conscription for Civil Defence

It is possible that the chief importance of the Government's fire-fighting scheme lies in the fact that it is the first exercise of its powers over persons and their services for other than military service, rather than in its immediate object of closing a gap in our civil defences. By new defence regulations additional power is given to the appropriate authorities to compel civil defence arrangements and power is also given to impose compulsory part-time service in any branch of civil defence work on all British civilians, of both sexes, between the ages of 16 and 60. There is, of course, nothing new in power of this sort, since a far wider power over persons is given to the Minister of Labour by another regulation; the innovation is that—to a very small extent, it is true—the new power is being applied. An Order (which supersedes the original Fire Watchers Order), made under one of the new regulations, imposes an obligation on the occupiers of all premises to which

Every facility for
BANKING
business on
SWEDEN

**SKANDINAVISKA
BANKEN**

Central Offices at Göteborg, Stockholm
and Malmö

CABLES (FOR ALL OFFICES AND BRANCHES)
SKANDINAVBANK

it applies to make adequate arrangements for fire prevention, which will include compulsory spare-time duty by all male employees, though joint arrangements may be made by occupiers in the same or adjoining buildings. A second Order made under another regulation provides for the compulsory registration by age groups and calling up for fire prevention duties of all male persons in areas where the number of volunteers is insufficient, although there are all manner of exceptions and exemptions. Men already doing 48 hours of civil defence work a month in their place of residence will not be called on for duty in their place of employment, but, subject to this, compulsory service at the place of employment takes precedence; the Home Guard, policemen and special constables will be exempt; and tribunals will hear appeals for exemption on grounds of unfitness or hardship. The arrangements made under the first Order must satisfy the responsible authority, who for war factories is to be the Admiralty and the Ministries of Supply and Aircraft Production; the appropriate Government Departments for public utility companies; the Ministry of Labour for non-war factories employing more than 30 persons; and the local authorities for small factories, shops, dwelling-houses, theatres and so on, which form by far the greater part of all buildings. The difficulty about applying the scheme is that it is these small firms, with small staffs, many of whom are already doing civil defence work, and dwelling-houses, many of which, in vulnerable areas, are now unoccupied, that have most difficulty in making satisfactory arrangements. Yet it is these that are left as the responsibility of the local authorities, who may well be forgiven if they complain that they have been allotted the hardest part. It is true that rules are to be drawn up for their guidance, and the Regional Commissioner will direct and supervise the calling up of men where volunteers are insufficient. But there is a danger that the patchwork affair, which the scheme for protecting these smaller premises and private houses appears to be, may be inadequate in another night like that of December 29, 1940.

* * *

The War Cabinet

On Wednesday, the Prime Minister strongly defended the committee system of Cabinet control of policy. It was better fitted, he claimed, than a Cabinet of four or five Ministers without departmental duties, to determine policy and oversee administration, because neither of these functions can be carried out without the close contact with the factual working of departments which only their chiefs, among Ministers, have. This argument can, of course, be contested. The entire practice of Parliamentary Government, both in the Commons and in the departments, implies that chosen men of ability can lay down fairly closely the lines of policy, without the direct *expertise* for which they must rely upon professional civil servants, soldiers or business men. But the operative argument in Mr. Churchill's case for the present system—that it is a question of men rather than of machinery—cannot be questioned. There cannot be any controller of policy on the home and economic side of Government akin to Mr. Churchill on the side of defence and strategy, because there is only one Mr. Churchill—and one Prime Minister. True, as Mr. Churchill pointed out, the small War Cabinet of non-departmental Ministers in the last war was designed to allow Mr. Lloyd George—"the great man who then conducted our affairs"—wide powers over the whole field of Government; and it might perhaps have been imagined that Mr. Churchill himself could have emulated the energy and scope of his famous forerunner. But the root of the Prime Minister's case, implied rather than spoken, was that there are not at his disposal sufficient able lieutenants to man a non-departmental Cabinet and the Ministries as well. The men who can must do the work by which the system will be judged, and there are already signs that the latest committees, the Production and Import Executives, are getting well ahead with their job.

* * *

"Good Sense" in Wages

Mr. Bevin's views about wages policy have been long and eagerly awaited. Now it seems, from his statement in the Commons on Tuesday, that he has no views, because he does not believe in the need for a policy. Wages

are best left to the "good sense" of employers' and workers' associations, he claims, and he cited as evidence of this the striking absence of major labour disputes. It is true that, apart from sporadic unofficial outbreaks, labour disputes have been very few. But this surely has been due to the fact that the trend of wages has been uniformly upwards, and it is precisely this trend, with its potentialities for inflation, which (together with consistent rises in other strategic prices) has led to the demand for the statement of a wartime wages policy. The test case of the 1,200,000 engineers and ship-builders who approached their employers for an increase of 10s. a week has, meanwhile, been judged by the National Arbitration Tribunal, who have approved an increase of 3s. 6d. in their war bonus, with, however, no concession to the demand for the reinstatement of pre-1931 conditions of work. It was the engineering employers who made this a test case by refusing the rise "on grounds of national interest"; and now that the Tribunal has shown itself, at least partially, in agreement with this attitude, the need for some plain official statement is more than ever pressing.

* * *

The Workhouse Principle

The purpose of the Government's industrial training centres is plain. With the technical schools and colleges, their wartime job is to ensure that at no time in the future will war production be held up for lack of labour suitably instructed in the elements of war engineering. Direct training on a large scale can only be done in the factories themselves; but in default of any mass scheme for training by employers and because of the crucial importance of transferring men and women from idleness or non-essential work into war production at an increasing rate, it might have been expected that the training centres set up by the Ministry of Labour would be full to capacity. Actually, this does not seem to be the case. It is even reported by men from the centres that there are many vacant places; and the channels which should be feeding the industrial army appear to be delivering little more than a trickle. Moreover, an appreciable part of that trickle is running to waste. Men who have been trained now report themselves out of work. It may, of course, be that these men have been found wanting, but the fact remains that there is no guarantee of war employment even for successful trainees. The truth is that these centres, channels in theory, are not channels in practice at all. They are devised on the pre-war principle of finding something for the unemployed to do, and, as in all departments of unemployment policy, they are run on the principle of "less eligibility." That is, pay and allowances are contrived to make training, though essential for the war effort, clearly less remunerative than work, however non-essential. It is foolish to blame workers for not flocking into the centres. The terms of entry and conditions of training are a deterrent and not an inducement, and since no secure employment is promised at the end, it is scarcely surprising that the workless regard the centres as only a last resort, while those engaged on non-essential work never think of them at all.

* * *

The Price of Overtime

The Select Committee of the House of Commons on National Expenditure only begins its work with the investigation of "current expenditure defrayed out of moneys provided by Parliament." The comments on labour policy contained in the third report presented this session are characteristically shrewd and topical. The main theme is overtime, where the conclusion is that a reduction in munition workers' hours should take place immediately before their health is seriously affected, as it was in the last war. After Dunkirk, many factories began to work 24 hours a day for seven days a week, and national and local holidays were cancelled. After two months, the result was extreme fatigue, shown in absenteeism and unpunctuality; and the Select Committee is in complete agreement with the view of the Ministry of Labour, expressed in a memorandum last July, that excessive hours are undesirable, "both physically and economically." Figures published by the Health of Munition Workers Committee in 1917 showed that the reduction of hours by as much as 18 or 20 a

week increased net output. The difficulty, however, in the way of reducing hours as the Ministry suggested, first to an average of 60 a week and, then, to 55 or 56—shown by a generation of experience and research into industrial fatigue to be "the optimum standard"—is the problem of expanding the labour force. The solution is obviously to keep the machines running continually, but to have more workers in three shifts to man them, and this means that to reduce the amount of overtime worked involves much greater progress in dilution and labour training than has yet been made. It also necessitates uniformity so that workers will not leave establishments with controlled hours to seek high overtime wages elsewhere. The workers want overtime however bad it may be for their health and efficiency. This question of overtime is more than merely one of fitness and output. It is a financial question as well. Overtime and Sunday work are sought by workers because they bring in high rates of pay, and when they are sick or tired it is on week-days, when normal wage rates are paid, that they tend to stay away. The strict curtailment of overtime and Sunday work is desirable, not only to obtain the greatest possible output from the individual worker compatible with the maintenance of his health, but also to put a brake on the inflation of the cost of Government contracts. Over-work not only damages the health and efficiency of workers. It also sends up the cost of production strikingly. At one factory in 1917, overtime payments for week-end work caused a rise in price from 2.4d. to 4.54d. per unit of production; and at a national shell factory in 1918 a reduction in hours from 53 a week to 50 brought down the cost per shell from 8s. 4.09d. to 7s. 5.54d., as well as increasing output from 44,000 to 45,500 shells. The problem of costs is, in general, a mystery, and the Select Committee, having been "unable to see the actual costs of almost any articles," has been unable to find out whether the Government is paying too much for its supplies. But this point about the effect of overtime on labour costs is well taken; and a great deal of credit is due to the Select Committee for showing succinctly that no single aspect of the labour problem, such as hours, can be approached, without all the other aspects, health, productivity, wages, earnings, mobility, turnover, hiring and training, coming in of necessity.

* * *

Laval Again

For a few brief weeks it seemed that Marshal Pétain was following a strong and comprehensible policy both in France's external affairs and in relation to his own position of personal authority in unoccupied France. The news of his reconciliation with Laval and the reports that Laval will return to high office throw our ideas about him once more into confusion and doubt. That his own prestige will be damaged by the return—under German pressure—of the man he himself dismissed for attempting a *coup d'état* is obvious. And since the point of Laval's plot was to secure unqualified French co-operation with Germany in her onslaught on Britain, French foreign policy, in spite of official assurances that "the French Fleet will in no circumstances be used against France's former ally" is again open to the suspicion of disloyalty—even treachery. It is clear that our attitude to Marshal Pétain must be dictated by this question of collaboration with Germany. There is nothing dishonourable in defeat. There is nothing dishonourable in attempting to preserve some small part of the French patrimony free from the corruption of Nazi ideas and from the presence of the Nazis. Much of the honourable support given to Pétain by sincere patriots springs from their conviction that he stands between them and the disgraceful performances of a Laval or a Déat. But enthusiastic collaboration with the former enemy against an ally who still fights on cannot be reconciled with any preservation of national or personal honour, and the restoration of Laval would destroy the integrity of the regime. On the German side there is less confusion of policy. Germany is seeking, in the face of successful British resistance, to keep France cowed and immobile. It is not the nature of France to remain long in any attitude. The political temperature of the people is rising, and to allow them to unite behind any leader would be dangerous from the German standpoint. Thus the split between Vichy and Paris is preserved in order to bewilder the mass of the people, who hear more about the "aggressive clerical reaction" of the one centre and the "subversive activities" of the other than of the doings of the invader who has en-

slaved them both. Germany, too, is glad to keep both Paris and Vichy discredited. Without leaders, popular resentment remains uncanalised. One of the reasons why Laval has been forced back may well be the fear that, standing alone, Pétain would become a rallying point for genuine patriotism.

* * *

Second Thoughts in the Balkans

Until Hitler makes up his mind about the next move on the Danube, the Balkans will remain in uneasy tension, hoping for the best, fearing the worst. The Greeks continue to give a valiant example of what free men can do in defence of their independence. Further heights round Klisura have fallen, there has been a successful offensive on the central front, and on the western wing advance troops are said to be within four miles of Valona bay. And the Roumanians continue to show their neighbours that the price demanded by Germany for "peace" is hardly distinguishable from the hard costs of war. Once again the country is plunged into civil strife. Once again Iron Guard factions are busily engaged in exterminating each other, and over it all General Antonescu in sublime fatuity appeals for order and refers to the "splendid but soul-destroying" months of government through which he has passed. The truth is that Roumania is in dissolution and only a German administration can now create any semblance of order. As the troops on the Bulgarian frontier have been withdrawn, the police the interior and General Antonescu is doubtless left to consider how unsatisfactory it is to be given a vacuum as advance base for a Balkan campaign. Although it offers only a short respite, the withdrawal of the troops may have relieved the tension in Bulgaria a little, and there are signs that the Prime Minister's resolute speech reflects the temper of the people. The leaders of the old political parties (banned since 1934) have issued a stirring manifesto in defence of their country's independence and it has been widely circulated in leaflet form. The Government, too, may have been encouraged in their determination by the arrival of Colonel Donovan, the American President's personal envoy to confer with the King and the Ministers. Colonel Donovan comes from Cairo and Athens, two centres of successful resistance. He can also speak of the United States' determination to check the aggressors and to give all aid to those who defend their independence. Nor do these assurances seem so remote as in the days when France was disintegrating and Britain's fate in the Mediterranean hung in the balance. There is at least a chance that Hitler, engaged in Sicily and above the Channel will not willingly add to his military commitments at this point. Bulgaria's chance, therefore, lies in showing, in company with Yugoslavia and Turkey, that a violation of Bulgaria will entail the added commitment of a Balkan war.

* * *

The Inauguration

President Roosevelt's inaugural speech was an inspiring appeal to the American people and, indeed, beyond them to all peoples who still uphold the cause of freedom to remember their faith in this time of crisis and to remember, too, that without that faith there can be no survival. "The life of a nation is the fullness of the measure of its will to live." The democratic countries face an adversary in whom negative faith has been whipped up to the pitch of fanaticism. This they must oppose with a positive faith, the faith that made America "the New World in all tongues to all peoples"

The MERCANTILE BANK of INDIA LIMITED

Head Office: 15, Gracechurch St., London, E.C.3

Branches and Agencies throughout the East

EVERY DESCRIPTION OF HOME AND EASTERN BANKING TRANSACTED

Enquiries invited

in the creation of "a new life, a life that should be new in freedom." If this is their spur, there can be no thought of defeat, for freedom is not an incident in history, "it is history." But the President does not delude his people into the belief that they can sit and guard "the sacred fire of liberty" behind their own defences. In "the narrowing circle of the world" isolation has become a peril. The will to live must include the will to act. The United States "will not retreat." It "will not turn back." It will meet this crisis of attack from without in the spirit of Washington, who forged the nation, and Lincoln, who defended it from disruption from within. Now the danger is without and America takes up the challenge. The tone of the speech has not been lost on the totalitarian powers. Japan has made another appeal to America's "sense of responsibility" to avoid war by giving Japan a free hand in East Asia, or, more simply, by abandoning Free China. And in Europe the German press speaks threateningly of the "end of German tolerance" and of the necessity of setting limits beyond which the United States cannot go with impunity, America can afford to dismiss these threats. They are a sign of growing fear.

* * *

Organisation of Road Transport

There are welcome indications that the Government is beginning to move towards the relief of the transport bottleneck by measures designed to remedy the present state of affairs in the road haulage industry. On Wednesday, the Minister of Transport announced the outline of a scheme designed to lead to a more efficient utilisation of the road transport industry. In some respects the scheme resembles that which has been successfully applied to shipping. Instead of merely controlling the intensity of the use of lorries by a system of petrol rationing, with supplementary rations for essential traffic, the Ministry of Transport has decided to enter the road haulage business on its own account. The Ministry will hire lorries from the hauliers, though to begin with it will confine itself to the transport of Government traffic. As a first step, arrangements have been made by the Ministry with other Government departments—such as the Ministries of Supply and Food—for carrying some of their traffic by road. As in the case of shipping, the actual operation of the vehicles will remain with the hauliers, but, in contrast to the practice of the Ministry of Shipping, the lorries will not be requisitioned, at least to begin with, but hired by agreement with the road haulage industry. Again, as in the case of shipping, the owners of lorries operated by the Ministry of Transport will be paid rates of hire to be determined in consultation between them and the Ministry. The scheme is a step in the right direction; the pity is that its inception has been delayed so long. Its success in bringing about an improvement in the traffic position will depend on the speed with which it is applied and extended from the small beginning at present envisaged. It is only when the carrying capacity of the transport industry—and *a fortiori*, that of its road haulage branch—is considered as a whole that it will be utilised to the best advantage. It may be necessary to try the scheme out at first; but partial control is inadequate. The road haulage industry, represented by its Consultative Committee, has given its blessing to the scheme, though, no doubt, in the expectation of satisfactory rates of hire. While it will be interesting to see the financial terms of the new scheme, these are its least important feature. The urgent problem is to fit the road haulage industry into a general scheme of transport, designed to speed up the movement of essential goods.

* * *

Suppression of a Newspaper

One of the most drastic powers given to the Home Secretary under the Emergency Powers Acts is the right to suppress newspapers. In exercising his power to suppress persons by detention without trial his decision may eventually be subject to the hearing by the Court of an application for a writ of *habeas corpus* from the person detained, though it is true that the Court has held an affidavit by the Home Secretary that he believed that he had good grounds for the detention order to be a good answer to such an application. But the case of Mr. Harry Sabini, whose application for a writ was this week opposed by the Home Secretary and

refused by the Court—after an adjournment of the case, during which a writ had been served—shows that the Court has to be fully convinced that the Home Secretary "honestly believes," even though it does not enquire into the grounds of his belief. Similarly, if a person is concerned in systematic publication of matter calculated to foment opposition to the war effort, the Home Secretary must first warn the person, who will be prosecuted if he ignores the warning. But in the same circumstances a newspaper can be suppressed, without warning, simply by an order of the Home Secretary, and there is no right of appeal. Little surprise, and still less regret, will be expressed that Mr. Morrison has now applied his powers to the *Daily Worker* and the *Week*, though it may indeed be questioned whether the present circumstances of the war are such as Sir John Anderson, in a debate last summer on the relevant defence regulation, appeared to regard as a necessary background to its application. As the *Daily Worker* has enjoyed immunity for so long, largely because of its singular lack of influence, and as it is the first occasion on which opinion has been suppressed, it might have been wiser to use the longer process of warning, a prosecution and trial. But the *Daily Worker* was, in fact, unofficially warned by Sir John Anderson last July, and in any case no sympathy need be wasted on the departure of a newspaper which urges a negotiated peace and systematically tries to encourage disaffection among munition workers, members of the Services and the general public. That a Communist organ should find itself suppressed for the support it has, in effect, been trying to give to a "Fascist warmonger" is a plain case of *felo de se*.

* * *

Conduct of a Member

The Select Committee of the House of Commons appointed to enquire into the conduct of Mr Robert Boothby has found "that Mr Boothby's conduct was contrary to the usage and derogatory to the dignity of the House and inconsistent with the standards which Parliament is entitled to expect from its Members." This judgment is based upon a finding of fact—namely, that while Mr Boothby was, by speeches in the House of Commons and pressure upon the Treasury, urging the payment, out of Czech assets blocked in this country, of the claims of Czech residents in this country, he did not disclose—in fact, that he denied—that he had a financial interest of his own in the matter. Final judgment on the personal aspect of the matter will rightly be deferred until Mr Boothby has defended himself in Parliament. But the airing of a rather sordid story will have done good if it directs attention to the whole subject of the private interests of Members of Parliament. The present state of Parliamentary usage is that, before taking part in any political activity, a Member must disclose any interest of his own in the matter under discussion. Nobody will quarrel with the view that this is an indispensable minimum safeguard against corruption and that any Member who transgresses it deserves very severe censure. But it is also present practice that once a Member has made the disclosure of interest—sometimes in quite formal terms—he is free to advocate his own interests to a very considerable, if not quite unlimited, degree. The chances that a Member will have a private interest in some item of legislation or administration are infinitely greater than they were in the Gladstonian era, when "the trade" was virtually the only trade affected by Parliamentary proceedings. It seems to have become forgotten that it is to represent the interests of his constituents, not of his companies or his business associates, that a Member of Parliament is given his opportunities and privileges. It is clearly an unreal state of affairs that the formality of disclosure alone should distinguish propriety from impropriety. It would make for a cleaner public life if it became the usage of Parliament that no Member should take any action, by speaking, voting, or putting pressure on Ministers and Departments, in any matter in which he has a personal interest, disclosed or undisclosed.

* * *

The Book Trade After The Fire

It would be malicious to attribute the great losses experienced by the book trade in the Great Fire to a nemesis which has remembered its refusal to submit to

the purchase tax. Certainly, General Goering has done far more to "destroy culture" and "prevent the spread of democratic ideas" than could possibly have been achieved by Sir Kingsley Wood's modest proposals. About twenty publishing firms have been either completely destroyed or very severely damaged in recent raids, the majority, of course, suffering on the night of December 29th, when Simpkin Marshall, the biggest wholesale booksellers in the English-speaking world, lost its stock of between 8 and 4 million books. However, the destruction of Simpkin Marshall has produced another co-operative experiment in the book trade, which follows hard upon the formation by nine publishing firms of a Publishers' Guild to sell cheap books on a co-operative basis. The Publishers' Association is to buy, on behalf of the whole trade, the goodwill, and what other assets remain, of Simpkin Marshall, through which about 10 per cent. of the books reaching the retailers formerly passed. Book Centre, Ltd., which, incidentally, deals with the distribution of the new Guild's cheap books, is to pass on the orders it receives to the publishers, collect the books from them and dispatch the books to the retailers. There will thus be no question of a vast quantity of books being held in one place, as in the case of Simpkin Marshall. The increased cost of replacing the burnt books, where they are replaced, will prevent the new experiment from cheapening the price of books to the public—the price will, in fact, probably go up. And there are still independent wholesalers to be contended with, though these have, it is true, given their approval to the new arrangement. But when the effects of the destruction have worn off, which will certainly not be in wartime, it is possible that this co-operative distribution will be aptly situated to pave the way to a cheaper retail price, which even the publishers now realise is generally wanted.

* * *

Exchange and Mart

A brisk traffic is springing up in the quotas permitted to manufacturers under the Limitation of Supplies Order. A perfumery company advertises for quotas for the December to May and subsequent periods; a fur retailer "urgently requires" a wholesaler with "available fur quota Dec./May"; and so on. It is true that transfers of quota from one firm to another are nominally subject to the approval of the Board of Trade. It is true, too, in theory, that if such transfers were to lead to the concentration of the restricted production permitted into the hands of the most efficient firms, i.e., those using the smallest quantity of economic resources (especially labour) per unit of output, the process might even be regarded as economically desirable. The aim in wartime in essential and permitted civil work, no less than in war work, is to turn out as much as possible with as little use of labour, plant and materials as possible; and the scientific concentration of production would be a valuable step towards releasing labour for work of national importance. Indeed, it is a defect of the quota method of limiting supplies and manufacture that by restricting the supplies of each firm individually and not of each industry or group of firms as a whole, the advantages of concentrations are not obtained. Supplies are cut to a third or a quarter, but only 100,000 workers from the entire range of industries affected are released. It may also be taken that the firms willing to surrender their quotas will be the smaller and less efficient ones in most cases. But they will only surrender them and go out of business, entirely or as regards a single line, at a price. The advertisements suggest that this is a sellers' market, and one effect of the trade in quotas, if it is left unbridled, seems likely to be to mulct consumers. The drawing together of manufacturers or traders, exemplified by the hardening of the retailers' firm through their trade associations, has already become a marked feature of the war, because all kinds of sectional interests are struggling to preserve an enlarged corner in the restricted field of civilian enterprise; and the danger is that this trade in quotas will lead, not so much to a concentration of production in the cause of efficiency, as to a concentration or monopolising of control over a depleted market. If concentration is desirable in the public interest, it should be sought directly by the public's representatives, and not by the hole-and-corner haggling of narrow private interests.

Lifts for the Troops

A recent broadcast by "an Army officer" aroused a deal of interest. To listeners accustomed to the sight of soldiers riding in interminable lines of trucks and lorries, it was a surprise to learn that a pivotal part of training in offensive tactics was drill in marching very long distances, with little or no rest, before attacking the enemy. It is not possible for the layman to express a final view about a professional matter of this kind, and it is probable that the physical hardiness induced in the survivors of this particular method of schooling will be invaluable. But this marching is, explicitly, offensive tactics, not physical training, and it is impossible to avoid the suspicion that, once again, it is the last war, and not the present one, which is being won. The suspicion may, admittedly, be quite unfounded, but at least it is generally accepted that the striking forces of to-day are the swift-moving mechanised columns of the Battles of Flanders, France and the Western Desert, the forces so shrewdly envisaged years ago by General (then Colonel) de Gaulle, rather than the foot-slogging masses of 1914-18. Moreover, this is a point of peculiar importance to the British Army, since in numbers of men it is bound to be inferior, at every stage of the war, to the 200 or more divisions that the enemy can presumably raise. It is in material, and not in men, that superiority must be sought—if only because the United States will send the one and not the other; and in battle it can only be by superiority in equipment, and in the speed with which heavily armed forces can be thrown into unexpected attacks at unexpected places, that victory can possibly be secured. Because the German Army is the biggest, the British must be the best—and swiftest; and it would seem axiomatic (again to the layman) that, apart from considerations of health and physique, the British soldier should never walk when he can ride.

Shorter Notes

The Dominion and Provincial Conference on the recommendations of the Sirois Report on Canadian constitutional reform came to an abrupt and unedifying close before it had attempted to discuss the report. The Premiers of Ontario, Alberta and British Columbia objected to what they considered an ultimatum from the Minister of Finance, and the Conference ended in mutual recriminations.

*

The number of road deaths in December was 1,313, compared with 1,156 in December, 1939. The worst feature of this shocking return is the increase in the number of deaths in daylight from 259 in December, 1939, to 440 last month. Careless driving by the Army has for so long been a cause of complaint and claimed to be the reason for the increase in road accidents that the Ministry of Transport might do well to publish the number of accidents in which an Army vehicle has in fact been involved.

*

In contrast to the rise in road deaths, the number of deaths due to air raids showed a welcome fall in December:—

1940	Killed	Detained in Hospital	Total Serious Casualties
September	6,954	10,615	17,569
October	6,834	8,695	15,029
November	4,588	6,202	10,790
December	3,793	5,044	8,837
Total to date ...	21,669	30,556	52,225

Of those killed in December, 1,691 were men, 1,434 women, and 521 children under 16, the remaining 147 persons being unclassified.

*

A minor stir has been created in the House of Commons by a letter written to the Press by the Commander of an Officer Cadet Training Unit alleging that candidates who have not had the advantages of "gentle" birth or of a "Public School" education make less successful leaders of men. It is, of course, wrong for a serving officer to publish his views. But indignation about the views expressed, as distinct from the manner of their expression, seems to have been strangely misplaced. It is idle to deny that those who have not had a "correct" upbringing labour under a severe handicap. What should arouse anger is not the statement of the truth but the conditions that permit it to be true.

THE WORLD OVERSEAS

The Exploitation of Holland

(By a Dutch Correspondent)

January 11th.

SOME figures about Dutch exports and imports from June to September, 1940, are a convincing proof of the deterioration in the country's economic situation. These figures were issued by the German economic dictator in the Netherlands, Commissioner General Hans Fischboeck, one of the four principal assistants of the *Reichskommissar* Seyss-Inquart. In order to understand their significance, it may be recalled that average monthly exports from Holland to Germany amounted to fl.11 millions in 1939 and average exports to all other countries to fl.69 millions. The corresponding figures for the period June-September, 1940, are:—average exports to Germany, fl.32 millions; average exports to all other countries, fl.4.5 millions. Out of total exports during these four months of fl.145 millions, fl.127 millions went to Germany. Imports from Germany amounted to fl.84 millions, leaving a gap of fl.43 millions. The disadvantages for the Dutch are far greater even than appears, for the Dutch exports include food and finished products, whereas the imports from Germany do not include commodities which are of any use in everyday life. The Germans seem, on the contrary, to have adopted the practice of considering as normal exports the military material sent to the army of occupation. This must be inferred from the fact that Herr Fischboeck put the imports from all countries except Germany in the month of June at fl.55 millions. In that month, almost all international non-military traffic in Western Europe had come to a standstill. There is only one item that may have been "imported" into the Netherlands in quantities which can explain the extremely high figure of fl.55 millions. This item is material of war. Looting of this nature—the export of Dutch goods in return for as good as nothing—will be intensified now that all customs duties between Germany and Holland have been abolished.

Apart from imports and exports, the business situation as a whole is very unfavourable. Written and spoken propaganda about the New Order does not yield any tangible results. The number of unemployed is decreasing only owing to the virtual deportation of Dutch workers to Germany. According to Seyss-Inquart more than 80,000 Dutch unemployed are now labouring in the country of the occupier; and the number of unemployed in Holland still amounts to 185,000.

The incorporation in the New Order has marked the end of Dutch financial autonomy. Within the framework of the German system of multilateral clearing, which is reported to have been joined by Belgium, Bulgaria, Denmark, France, Finland, the Netherlands, Italy, Norway, Switzerland, Sweden and Yugoslavia, detailed agreements have been made by the Germans between the Netherlands on the one hand and Bulgaria, Italy, Yugoslavia, Sweden and Belgium on the other.

The deterioration of the country's economic situation is accompanied by a heavy increase in the expenses of the State. The State has to pay for all the requirements of an army of occupation which may be of the order of 250,000 men. The notes in circulation, issued by the Nederlandsche Bank, amounted to fl.1,157 millions on December 4, 1939. The last return before the invasion started showed an amount of fl.1,158 millions. The figure had swollen to fl.1,499 millions on December 2, 1940. Treasury bills in various forms amounted to fl.308 millions on May 7, 1940. The total was fl.1,142 millions on November 23, 1940. In the six months between May 6 and November 7 the State had covered expenses up to fl.966 millions by the creation of new money.

The abundance of money in conjunction with the shortage of commodities has brought about a strong fear of inflation, and the Dutch public want to get rid of their money. As a result the prices of almost all shares

quoted on the Amsterdam Stock Exchange show a series of spectacular rises. The average rise between May 9 and December 1, 1940, was 58 per cent. For various groups of shares the rise amounted to:—tramways, 7 per cent.; railways, 22 per cent.; banking, 40 per cent.; tea, 41 per cent.; commerce, 47 per cent.; shipping, 48 per cent.; gas and electricity, 49 per cent.; industry, 62 per cent.; oil, 64 per cent.; mining, 74 per cent.; rubber, 87 per cent.; tobacco, 88 per cent.; sugar, 89 per cent.; the last five groups represent East Indian companies. Their striking rise indicates that the Dutch public is well aware of the fact that their guilders is primarily backed by the wealth of the Dutch colonial empire. Only this fact can explain that *Amsterdam Rubber*, which yielded an average dividend of 4.8 per cent. for the last ten years, is at the moment quoted at 300.

Stamp Buying

There has been, apart from the flight to shares, a hardly less remarkable flight to all kinds of real property, from rare stamps—which are sold at double their usual prices—to landed property. The land prices nearly doubled in half a year. The consequence was that the Germans on December 2 issued an order forbidding the sale of all farming land at prices above the level of 1939. Moreover, farming land can only be bought by farmers. This measure, "taken in the interest of the farmers, who are the cornerstone of the community," has by no means met with general approval on the part of the farmers concerned. Acquiring the sole right to buy farming land, they practically lost the possibility of selling their farms, even if they are crippled with mortgages.

Another effect of the fear of inflation was that farmers were extremely reluctant to have their cattle slaughtered. The official meat ration amounted originally to 70 per cent. of the normal consumption. The meat available this autumn was barely 10 per cent. of the former quantities. The situation improved only after the Germans threatened the farmers with compulsory requisition of cattle for slaughtering purposes.

Needless to say that as a result of all this the standard of living of the Dutch people is rapidly on the decline. Various sources of income have almost completely dried up. The biggest shipping firm in Rotterdam is busy organising different courses in modern languages for its employees. Fishing has practically come to a standstill. The production of milk is decreasing owing to a shortage of feeding stuffs. The building trade, for which there should be many possibilities, is remarkably inactive. The builders are very reluctant to make use of the many substitute materials which are of common use in Germany. It is reported from The Hague that only 500 dwellings were under construction last autumn; the normal number is between four and five thousand. The quantity, as well as the quality, of the commodities available to the general public is steadily decreasing. The Germans try hard to impose their very elaborate rationing system on the population. However, many rationed commodities are hardly available at all, as has been the case with fats, margarine and, for many months, with meat. On the other hand, some rationed articles are so expensive that the poorer part of the population simply cannot afford them. This applies to butter. The lack of coal for domestic purposes is certainly a source of much grumbling. The Germans assured the Dutch in the autumn that there would be enough coal to heat at least one room properly. A recent warning not to use more electricity or gas than in previous years indicates that the general public was not satisfied with a situation in which many people were forced to spend every evening in the kitchen.

Rise in Prices

The attempts of the Germans to prevent a rise in prices have failed. Prices of all kinds of groceries have sharply risen, to the dissatisfaction of working-class housewives. In the beginning of December, a Dutch official, Mr Schokker, was made general commissioner for all prices. Four days earlier, all wages and salaries had been fixed—for the second time. The public is, however, busy circumventing all these decrees. There have been countless convictions for hoarding and similar offences, not because the Dutch have a lack of public spirit, but simply because they revolt against every German measure, however socially justified it may seem. As the prices for agricultural products have been fixed on a disappointingly low level, many farmers only sell their products when the wholesale dealer pays them a handsome tip. The requisitioning of horses for the German army has created much unrest amongst the agricultural community.

The decline in the standard of living is accelerated by the rise in taxation. Since January 1st, a new wage-tax has been raised which replaces the former income tax for all wage-earners. The propaganda about the "social justice" of this tax (which forces unmarried people to pay 50 per cent. more taxes than married people and which grants important reductions to big families) could not conceal the fact that the total amount to be raised by it shows a big increase. The profit tax has been raised from 10 to 30 per cent.; the land tax has been doubled; a new tax forces all people to pay half of the profit which results from the sale of real property.

It is, therefore, not surprising that the propaganda for the New Order has utterly failed. It was stated in a recent letter that at least four-fifths of the Dutchmen are "violently pro-British."

January 21st.

Turkish Foreign Trade

[FROM OUR ISTANBUL CORRESPONDENT]

December 2, 1940.

FOREIGN trade is still the outstanding Turkish economic problem. For one thing, it has receded in value, and still more in volume, compared with 1939. For another, the present unprecedented favourable balance of trade does not entirely compensate for the fact that existing stocks of foreign supplies are beginning to run low, although it may augur well for the future. Exports during the first ten months of 1940 amounted to £T88,529,000, against £T103,789,000 in 1939; during the same period, imports fell from £T106,312,000 to only £T58,091,000. In other words, last year's 2.5 per cent. surplus of imports has been turned into a 34.3 per cent. surplus of exports.

Tobacco, olive oil, mohair, cotton, hazelnuts, sultanas, opium and chrome ore have been Turkey's main export staples. As will be seen from the following table, Italy heads Turkish foreign trade, followed by the United States, Roumania, Great Britain and Germany, these five countries absorbing about two-thirds of the whole:

	(January-October, 1940)			
	Exports		Imports	
	£T.000	%	£T.000	%
Italy.....	17,538	19.8	9,751	16.9
U.S.A.....	14,141	15.9	7,238	12.5
Roumania.....	10,102	11.4	8,580	14.7
Great Britain.....	9,186	10.4	7,231	12.4
Germany.....	6,950	7.8	7,150	12.3

Of some interest is the fact that Italy, Germany, Czechoslovakia, Hungary and Bulgaria, taken together, have had only 36 per cent. of Turkish foreign trade, against the 55 to 66 per cent. share formerly possessed by Germany, while another fact deserving notice is the increase in trade with the Balkan countries from only three to as much as seventeen per cent. of the total.

Commercial exchanges with a great number of other countries have practically ceased. Such is the case with all the territories seized by Germany, except Czechoslovakia, as well as Spain and Japan. Sweden, Finland and Switzerland are doing their best to maintain business relations with Turkey, despite the unusually high transportation and insurance rates prevailing to-day. Finland has arranged to send her goods via Russia on somewhat lower rates, and Sweden seems to be prepared

to follow her example. Very typical of the "new" European order is the fact that, while Germany is now selling no newspaper at all to Turkey, and will not do so before the old Turco-German twenty-one million agreement has begun to be applied, a German-Swedish arrangement provides for a limit in Reichsmarks below which Swedish newspaper cannot be offered on the Turkish market.

Czechoslovakia in the New Year

[BY A CZECH CORRESPONDENT]

January 14th.

THE Czechs entered the New Year with a great deal more confidence in liberation than they felt a year ago. They are cheered by the disorganisation inflicted by the R.A.F. on German economic life, and by the military achievements of the Allies in the Balkans and North Africa. On the other hand, growing uneasiness is felt among the Germans, because of the evident influence on the whole Czech population of the London Czech broadcasts. In general, the broadcasts from abroad are listened to. The German-controlled transmitters in the Protectorate, even German stations broadcasting in Slovakia, devote a large part of their time to polemics against the B.B.C., and especially against the messages of President Benes and Mr Jan Masaryk.

The successive visits of the Reich Ministers, Goebbels, Franck, Dorpmüller and other high Nazi functionaries since the customs and monetary union was established, has been followed by an intensified move towards incorporation. On orders issued by Goebbels himself, the Czech puppet Prime Minister's office advised all newspapers and periodicals, even technical ones, to publish articles in a prominent place in every number expressing a positive attitude towards questions of "public interest," that is to say, towards the incorporation of the Protectorate in the Reich. Prague, and big Czech provincial towns, the Moravian capital, Brno, at first glance scarcely differ from German towns in their outward appearance, owing to the German street and business inscriptions, communication marks, etc. In every Czech town, even in small ones, there is an "Oberlandrat" with a whole gang of Nazis, so that the Czechs are kept under close observation. In December, sign painters in the workshops of the Czech railways began the repainting of the coaches, which are to be marked DRB, as is the rolling-stock of the Reichsbahnen. On January 1st German freight tariffs were introduced on the Protectorate railways.

A number of new German leading officials have been taken into the administration of the City of Prague; most of them are completely superfluous and without any material or linguistic qualifications. Nevertheless, they are allotted large salaries from Czech public funds; young officials begin their career with a salary of 30,000 kr. a year, an amount which Czech officials usually earn only after ten or fifteen years of public service. The Protectorate Government asked Herr von Neurath to increase the wages of Czech State officials by 10 per cent. and the annual bonus by 6,000 kr. He refused, and only the wage increases formerly in force have remained. By direct order of Hitler, on the other hand, factories had to pay their German clerks 1,200 kr. special New Year allowances.



**FOR ALL
INSURANCE
NEEDS**

Head Offices:
LIVERPOOL **LONDON**
North John St. Lombard St.

January 25, 1941

The arrests of Czechs continue. The Mayor of the town of Czeaslav was recently arrested on suspicion of economic sabotage. In the Pilsen district, members of workers' factory committees have been arrested in considerable numbers. The "Sokol" Centre at Kladno has been transformed into a prison where several hundred members of the former Social Democratic Party and a certain number of Communists are held. The Czech authorities are carrying out at German orders a new census of the officials of various associations, and the list is to be given to the Gestapo. Many new arrests are expected. An inventory is also being made of the property of the Czechoslovak "Sokol" Association, which, with over one million members, is the biggest gymnasts' organisation in the world. It is in danger of being confiscated under the pretext that the "Sokols" are the main representatives of Czech national consciousness.

Rise in Share Prices

The Prague Stock Exchange Committee has issued a warning against the economically unjustified purchase of shares. The demand for shares is causing a rise in prices, and the capital market has at present more important tasks in the nation's economy. Capital must be available after the war for new investments. At present shares are bought regardless of their lucrativeness, the return often being only 1 per cent. of purchase price. Outside speculators are blamed for this by the Committee.

All factories working for the war industry are producing at full speed in three shifts. There is a shortage of workers, however, and most University students have accepted fully paid jobs with Czech firms (300 kr. per month) in order not to have to go for forced labour to Germany where already 80,000 Czechs are working.

Since November, there has been practically no fruit on Czech territory. It has been commandeered by the Germans and taken away from the country. In Moravia, the granaries of the agricultural co-operatives are quite empty. By January 1st, granaries and store houses had to be made ready, by order of the Protector, for some 50,000 wagon-loads of grain. Milling companies in Prague have received for storage 3,000 wagon-loads of grain from Lithuania from the 1937 harvest. This grain, though, is at the disposal of the German authorities alone.

There is very little meat. The 300 grammes, 10½ ounces allowed per person per week is not always obtainable. Chocolate is almost unobtainable and, when it is, uneatable. One kilogramme of coffee is sold on the black market at 450-500 kr. (in 1938 it was about 100 kr.), 1 kg. of butter at 100-120 kr. (1938-27 kr.), 1 kg. of garlic at 80 kr. (1938-12 kr.), 1 kg. of onions at 60 kr. (1938-10 kr.).

Although this year the area of sugar beet cultivation was larger than in 1939 there is considerably less sugar in Bohemia, owing to lack of coal. There is, therefore, a great demand for saccharine, but factories which produce this substitute have the same difficulty in obtaining coal and substitute materials. The sugar ration (300 grammes, 10½ ounces per week) has already been provided, since September, out of the new harvest, so that supplies will certainly soon be exhausted.

On the Czech railways experiments are being made in fuelling locomotives with surface (brown) coal of which there is plenty in Bohemia. The heating capacity of this kind, however, is so small that it does not bring about the necessary steam pressure. Oil used on railways is refined in order to be used again.

Hongkong's Trade Prospects

[FROM OUR HONGKONG CORRESPONDENT]

December 20th.

AFTER some three or four months of abnormal slackness, most branches of trade have recently shown signs of revival. Gaps in the Japanese blockade seem to be increasing, and exports of essential requirements have been passing into Free China in greater volume than for some time past. The Canton River is officially open once again. Although the British steamer, which is allowed to carry a limited number of passengers, made one trip after the reopening of the river, the Japanese quarantine

restrictions kept it at a buoy for four days and further sailing has taken place. The main object of despatching the vessel was to take fresh stores for the foreign residents marooned on Shameen, and, so far as the shipping company was concerned, it was an unremunerative voyage which is not likely to be repeated until the Japanese authorities remove their present restrictions. Canton is still a destitute city mainly populated by the coolie class, and it is reported that many Japanese shop-keepers have given up the struggle to make a living and have returned to Japan. The plight of the population is appalling, as the price of rice has risen to a prohibitive figure and there is a great scarcity of fish, vegetables and other necessities of life.

The poorer classes in Hongkong have also been suffering from increased cost of living, both rice and firewood having risen enormously in recent months. The Government has now stepped in and fixed maximum retail prices for the various grades of rice and is obtaining fresh supplies to replenish its reserve stock. The Japanese occupation of Indo-China has cut off one important source of supply, and as there are difficulties in arranging shipments from Bangkok, it will be necessary to look to Burma for rice requirements. The rice problem is not confined to Hongkong, for throughout the East the population is suffering from the effects of the dislocation of the rice trade brought about by the Japanese. In Japan itself a series of bad harvests have left a deficiency which necessitates imports at high cost, Shanghai has been suffering a serious shortage, and in Chungking Marshal Chiang Kai-shek has had to admonish the wealthier classes for hoarding rice at the expense of the ordinary consumer.

The appointment of Sir Robert Brooke-Popham to be Commander-in-Chief in the Far East has encouraged hopes that eventually Great Britain will be in a position to stop further Japanese encroachment and assist China in driving out the invader. There is general recognition of the importance of co-ordinating the various British administrations in the Far East. Sir Robert Brooke-Popham will be visiting Hongkong shortly and will find that so far as land defences go this Colony is now well protected. For the past six months, however, Hongkong has been hemmed in by what amounts to a besieging force, and although the interference with trade has not been so serious as was at one time expected, there is no doubt that the Colony is greatly handicapped by its inability to trade freely with Canton and the neighbouring provinces. The new Commander-in-Chief has already expressed himself frankly in an interview on the Pacific question with a Japanese journalist, and the time may not be far away when his warnings and those of the American Ambassador in Tokyo may begin to be taken to heart by the Japanese Government.

Hongkong's War Potential

The Hongkong delegation which attended the Eastern Group Conference at Delhi has now returned. No official report has yet been issued, but the members of the delegation feel confident that the industries of this Colony will be able to play an important part in supplying war material for the forces east of Suez. At the opening of the Conference, the Hongkong delegates found that they were practically alone in having prepared a comprehensive survey of the potential capacity of their territory. The details which they were in a position to supply did much to convince an incredulous gathering that Hongkong was unique among Crown Colonies in possessing an extensive manufacturing industry, covering a large variety of war requirements. Steel helmets, gas-masks, web equipment and all types of wearing apparel needed by the services are obtainable from Hongkong. The well-equipped ship-building yards of the Colony are also in a position to supply munitions, provided raw material is available. But, before orders can be placed, a good deal of preparatory work is necessary, and this is now in hand. Finance is a major consideration and such questions as extending existing plant, ensuring supplies of raw material and shipping space have all to be tackled. A Central Purchasing Board has been set up at Delhi, and it will presumably be necessary for each unit of the Empire to have its own organisation for dealing with orders as they are issued by the Board. It is imperative that no time be lost in giving effect to the decisions reached at Delhi, and so far as Hongkong business circles are concerned there is every desire to co-operate with the official authorities in setting up an organisation which will function efficiently and economically.

January 25, 1941

Commercial Banking Trends in the U.S.A.

(FROM OUR NEW YORK CORRESPONDENT)

December 14th.

A RECENT letter reviewed the monetary developments of three autumn months as reflected in the Reserve Bank data. This letter will refer to the member banks. This emphasis seems justified by three facts: (1) under our gold programme the expansion of credit is automatic, and any relation to the needs of commerce and industry is, as the cinema titles say, "purely coincidental"; (2) our economy is reaching the stage of hypothetically full utilisation of human and material resources, and (3) as it reaches this point it finds itself in the presence of increasing demands.

While the general tendency of the three-month period is the continued rapid climb of bank credit (total loans and investments), this comprehensive generalisation is marked by two qualifications, neither of them absolutely new—that New York continues to differ from that of the rest of the country; and that whereas one could formerly remark that a growth in loans and investments principally (almost exclusively) meant a growth in investments in Government securities, in recent months the marked growth has been in commercial loans. Both of these phenomena appeared some time back, but they seem to be more accentuated recently.

REPORTING MEMBER BANKS IN NEW YORK CITY.

	End May '40	End Aug. '40	End Nov. '40
Total loans and investments	9,219	9,568	9,848
Security loans ..	509	421	502
Commercial loans ..	2,293	2,316	2,480
Securities (total) ..	6,417	6,881	6,861
U.S. securities ..	3,820	4,030	4,088
Guaranteed securities ..	1,275	1,372	1,530
Other securities ..	1,322	1,489	1,243
Demand deposits adjusted ..	9,898	9,727	10,225

All these items show increases except the "other securities"; but the increase in the loan items in the last three months exceeds the increase in investments—a most unusual occurrence in recent years.

REPORTING MEMBER BANKS OUTSIDE NEW YORK CITY.

	End May '40	End Aug. '40	End Nov. '40
Total loans and investments	14,805	14,589	15,059
Commercial loans ..	5,223	5,868	5,721
Securities (total) ..	8,632	8,817	8,918
U.S. securities ..	5,261	5,357	5,455
Guaranteed securities ..	1,124	1,210	1,177
Other securities ..	2,247	2,250	2,281
Demand deposits adjusted ..	10,894	11,326	11,964

The increase in deposits and in total loans and investments is about the same as in the New York banks; the ratio of total loans and investments to demand deposits is larger than outside New York, because of the larger element of time deposits outside New York. The increase in investments (well over \$400 millions in New York, under \$300 millions outside) was relatively, as well as absolutely, larger in New York; the distribution was rather different. Both bought U.S. securities, but beyond that the New York banks preferred the guaranteed securities, while the interior banks leaned slightly toward "other securities." The loan account shows the more marked deviations. The security loan does not figure heavily outside New York, and even in New York it is but a minor item. Commercial loans outside New York have expanded continuously over the past six months, but more rapidly in the past three, and more rapidly outside New York. The aggregate of commercial loans of the banks outside New York is more than double the New York figure; and while commercial loans outside New York are above one-third of total loans and investments, in New York they are under one-quarter. However, for both groups the increase in commercial loans is not far from 10 per cent. in the past six months—a relatively large and rapid increase, and larger than the relative increase in investments.

This increase is, of course, what would be expected from the marked increase in business activity over the period. It is not yet as great as in the 1936-7 cycle, probably because of the inertia of commodity prices.

18th CENTURY PROPHECY



*The time will come, when thou shalt lift
thine eyes
To watch a long-drawn battle in the skies,
While aged peasants, too amazed for words,
Stare at the flying fleets of wondrous birds.
England, so long the mistress of the sea,
Where winds and waves confess her
sovereignty,
Her ancient triumphs yet on high shall bear,
And reign, the sovereign of the conquered
air.*

(Translated from Gray's 'Luna Habitabilis,' Cambridge 1737)

Make it come true! Just two hundred years ago this remarkable vision of the war in the air was written down in Latin verse by the great English poet who composed the famous 'Elegy'. To make Great Britain 'Sovereign of the conquered air' is now our task. There is no time to 'stare at the flying fleets', we must exert all our energies to increase them. Everyone must help. You can help with money. Save every shilling you can and lend it to the Nation!

Save regularly week by week. ... a Post Office or your Bank or Stockbroker and put your money in ... Savings Bonds 1955-1965, 2½% National War Bonds 1946-1948, or 3½% ... 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.

Issued by The National Savings Committee, London

THE BUSINESS WORLD

Continental Bourses

ON the western fringe of the continent of Europe, all stock exchanges are at present more or less under German control. In consequence, price movements in these markets provide a significant indication of the fear of inflation which possesses the inhabitants of all the occupied territories. A striking contrast is provided by movements on the Swiss stock exchanges, where, despite the serious political threat to Swiss independence, both dealings and prices have remained, in general, completely normal. Moreover, business on the Swiss markets has continued without interruption, although those of Paris, Brussels and Amsterdam were closed for several months.

Since the reopening of the stock exchanges in occupied and unoccupied France, Holland and Belgium, business has been characterised by a continual inflationary upward movement in quotations. The widespread destruction, for which the spring campaign was responsible, the continued dislocation of communications and transport, the decline in business activity, caused by rationing, the scarcity of goods of all sorts and the complete standstill of foreign trade suggest a fall rather than a rise in values. The results of industrial companies for the past year contain no information calculated to encourage the purchase of shares, while in France the position is obscured by the fact that no company reports at all are published and there is a complete lack of information, together with a widespread failure to seek for facts on matters of vital interest. The increase is thus based solely on fears of inflation, the signs of which are so familiar to more than one generation of continental investors. A further important symptom of the incipient inflationary boom is the general lack of interest in matters relating to the currency, despite the fact that currency movements are the most generally recognised warning of approaching inflation.

Purchases are curiously unselective, there being a keen demand for "values" which are liable either to depreciation or to seizure by the German authorities. Presumably the latter view the prospect of inflation with equanimity, and it is clear that they are at least partly responsible for it. They are taking advantage of the opportunity to acquire holdings in key industries or to increase existing participations. Whatever they may say later they will find it difficult to place the blame on their favourite scapegoats, the Jews. These are excluded from membership of stock exchanges in occupied territories and Jewish capital in Western Europe has but one objective, to achieve the maximum liquidity and mobility.

Since the collapse of France, the structure of the French capital markets has undergone a complete change. The Paris stock exchange, which had been for decades the leading and the most vigorous financial centre of the Continent, has fallen to the level of a small provincial market. But the provincial markets of Lyons and Marseilles, in unoccupied France, have achieved unexpected importance. With the exception of an abortive attempt to reopen on July 30th, the Paris market remained closed from June 10th to October 14th, 1940. No adequate reason for the failure to restart dealings at the end of July has yet been provided by the authorities. The official explanation, that the valuation of stocks was made impossible by the existing lack of information, sounds unconvincing in view of the fact that the bourse at Bordeaux, also in occupied territory, was open throughout the autumn. It was eventually closed at the same time as the Paris market, however, only since then the market has been reopened.

Since then the market has been reopened. Dealings in industrial shares are prohibited and no recognised market in equities exists in occupied France except in a few gas and electricity shares, although there are, of course, black markets as there are for dollars.

petrol or bread. The stocks quoted are French State loans, except those containing a currency clause, and a variety of Treasury bonds. The bourse is completely cut off from international business, including that with unoccupied France, by the continued suspension of telegraphic and postal communications and by the currency regulations. The initial quotations of State securities, with which investors in this area have to content themselves, were substantially higher than the prices prior to the French collapse and have increased steadily. Between the first week of June last, when panic had not yet spread, and end-December, the price of 3 per cent. perpetual *Rentes* rose from 70 to 87 and that of 4 per cent. *Rentes*, 1917, from 73 to 91. It is interesting that quotations at Lyons are from four to eight points below those of Paris, a disparity which is explained by the greater choice of negotiable stocks in unoccupied France and by the more obvious degree of inflation in the occupied area.

Throughout France, there is a general flight from currency, but this pressure is more marked in the German occupied part of the country, where large quantities of *Reichskassenscheine* have been issued by the occupation authorities in payment for requisitioned goods and for the purchases of German soldiers. It is reliably reported that the sum of this German currency, circulating in occupied France, exceeds the value of franc notes in circulation. The abundance of cash renders possible both a rise in gilt-edged prices and a general anxiety regarding inflation, usually mutually exclusive conditions. The acquisition of State loans appears to the public to be the only existing method of acquiring real values—although others doubtless exist—and this despite the fact that the debt position of the French Government is becoming rapidly worse. It is true that the total of long-term loans remains unchanged, but this is hardly significant beside the recent commitment for fr. 75 milliards to meet the cost of the German occupation, a sum which is bound to be increased, while provisions have also to be made for current expenditure.

In unoccupied France, market operations are conducted in more favourable conditions. Lyons has triumphed over the difficulties attendant on its sudden elevation to be the leading French bourse. It has, of course, for long been an important financial and industrial centre and the seat of the head office of the biggest French bank, the *Crédit Lyonnais*. Since the summer, the list of quotations has been considerably extended. The position of the Marseilles stock exchange has also been strengthened, partly because bad communications have favoured a certain degree of local patriotism in southern France. The market at Toulouse is still merely a provincial exchange. On all these bourses, dealings are characterised by the absence of professional speculation; all dealings are for cash and business in futures or credit transactions of any kind are barred. The main business comes from genuine investment orders for private persons. They are individually small and point the more obviously to the fear of inflation which has inspired them.

In Vichy-France, the boom is a boom in industrial equities, and the absence of professional speculation, inadequate organisation and an insufficient network of brokers have all helped to promote some very sharp price fluctuations. The authorities, who would like to see interest focused on Government issues, and who deprecate the anxiety concerning inflation, have issued constant warnings against excessive bidding up of quotations, but the popular investment remains, even at present levels, the industrial equity, especially that of a foreign company. In November, Suez Canal bonds were quoted at 17,000 against 13,000 in the first week of June—despite the first failure to honour a coupon in the

history of the company—Nestlé rose from 8,700 to 19,000 and even Royal Dutch, which has not been favoured in other centres, improved from 4,800 to 6,000. Several French industrials have realised gains in price of as much as 100 per cent. over the same period and the attempt to escape into "real values" is underlined by the relatively modest rise in the price of "gilt-edged."

The Brussels stock exchange, under the control of a German commissioner, was not reopened until August 21, 1940. At first, dealings took place in a few stocks only, mainly state loans. The chief aim of the commissioner was to create a market for German bonds, but the Belgian public, like the French, showed a strong preference for industrial shares, and, in order to avoid over-speculation on the black markets, dealings in equities were permitted in the late autumn. It is, of course, true that prices on May 9th last year, the day preceding the invasion, were abnormally low. But in the meanwhile a recovery in quotations of the order of 80 to 100 per cent. has been the rule, and, on paper, the investing public has become the richer by several milliards. The prices of the big electrical concerns with international interests, such as *Sofina*, *Brufina* and *Electrobel*, are quoted at approximately double their pre-invasion levels, and the scarcity of stock is so marked that the bourse committee has had to prohibit the quotation of buying prices, while rationing was actually suggested. The purely inflationary character of the Brussels boom is also indicated by the fact that it does not extend to gilt-edged issues. The public is prepared to pay prices, which are obviously unjustified, provided the security appears to be backed by some material asset, but they only subscribed some 36 per cent. of a recent issue of 4 per cent. Government stock, of which three milliard francs was offered.

In Holland, the German authorities have so far been less heavy handed in their control. The Amsterdam stock exchange was opened about the middle of July, and several restrictions imposed at that time have since

been lifted. To begin with, the authorities took precautions against a spectacular collapse in prices, but in Amsterdam, too, prices have risen considerably, and there is a general fear of inflation. The main causes of the boom in equities are the same as those operating in unoccupied France and Belgium, but the impetus is rather less powerful. It is true that considerable sums of money have been released for investment by the liquidation of stocks and the impossibility of replenishing them; and an imprudent policy of public expenditure has contributed to the increase in the circulation. The Dutch public is, however, extremely well versed in financial matters, and the flight into goods is much more discriminating than in France. Dutch capitalists are perturbed by the fact that they are completely cut off from the numerous big concerns, now controlled by the Dutch Government in London, with plant located in the Dutch colonies. Thus, Royal Dutch, for long a market favourite in Amsterdam, is steadily losing ground. On the other hand, a surprising improvement has taken place in the quotations of international concerns such as *Aku* and *Lever* and *Unilever N.V.* In view of the existing political conditions and the currency regulations, Dutch shareholders realise that they can draw no immediate profit from the favourable business and financial position of these enterprises, but are still prepared to pay high prices if the long-term outlook is encouraging.

There is also considerable German buying with the object of securing a stake in international concerns. It has not yet been generally realised that—unhindered by transfer difficulties—a comprehensive infiltration of German interests into Dutch and international companies is in progress or in preparation. Dutch interest in the progress of German industry is being encouraged by the readmission to the Amsterdam bourse of all German securities previously quoted there as well as numerous additions to the list. Thus, Amsterdam has become the western outpost of German financial strategy. The simultaneous introduction of a number of

MIDLAND BANK LIMITED

DIRECTORS

Chairman: THE RIGHT HON. REGINALD McKENNA

Deputy Chairmen: STANLEY CHRISTOPHERSON LEWIS H. WALTERS

STANLEY J. ADAMS, London
The Right Hon. LORD AIREDALE, Leeds
The Right Hon. LORD ASHFIELD, London
HERBERT A. ASTBURY, London
Sir PERCY ELLY BATES, Bt., C.B.E., Liverpool
WILLIAM GRAHAM BRADSHAW, C.B.E., London
Sir THOMAS A. L. BROCKLEBANK, Bt., Liverpool
The Right Hon. THE EARL OF CAITHNESS, C.B.E., Aberdeen
ARTHUR CHAMBERLAIN, Devon
Sir HUGO CUNLIFFE-OWEN, Bt., London
The Right Hon. LORD DAVIES, Llandinam
FRANK DUDLEY DOCKER, C.B., Birmingham
Sir BERNARD D. F. DOCKER, K.B.E., Birmingham

Sir WILLIAM DUGDALE, Bt., D.L., Warwickshire
Sir ARTHUR ADLINGTON HAWORTH, Bt., Manchester
Sir HARRY CASSIE HOLDEN, Bt., London
Sir FRANCIS L'ESTRANGE JOSEPH, K.B.E., D.L., Stoke-on-Trent
The Right Hon. LORD MCGOWAN, K.B.E., LL.D., London
Lt.-Colonel Hon. G. K. M. MASON, D.S.O., Somerset
Sir GEORGE A. MITCHELL, D.L., LL.D., Glasgow

The Right Hon. Sir ERIC PHIPPS, G.C.B., G.C.M.G., G.C.V.O., Wiltshire
Sir WALTER PRESTON, Tebury, Glou.
Sir ALEXANDER ROGER, London
HUGH L. ROXBURGH, Liverpool
Sir THOMAS ROYDEN, Bt., C.H., London
Lt.-Colonel Sir ALBERT G. STERN, K.B.E., C.M.G., London
Colonel The Right Hon. LORD WIGRAM, P.C., G.C.B., G.C.V.O., C.S.I., London
A. HALL WILSON, Aberdeen
Sir HAROLD E. YARROW, Bt., C.B.E., Glasgow

Chief General Manager: HERBERT A. ASTBURY

Assistant Chief General Manager: G. P. A. LEDERER

Deputy Assistant Chief General Manager: C. T. A. SADD, C.B.E.

Joint General Managers: A. T. JACKSON, H. DICKINSON, T. GREENWELL, H. L. ROUSE, T. R. NICHOLSON

STATEMENT OF ACCOUNTS, December 31, 1940

LIABILITIES		ASSETS	
	£		£
Capital authorised:		Coin, Notes and Balances with Bank of England	69,527,197
2,869,079 Shares of £12 each ...	34,428,948	Balances with, and Cheques on other Banks...	21,974,434
2,000,000 Shares of £2 10s each ...	5,000,000	Money at Call and Short Notice ...	26,069,553
5,771,052 Shares of £1 each ...	5,771,052	Bills Discounted (including British Treasury	
		Bills £48,048,384) ...	57,641,734
		Treasury Deposit Receipts ...	67,500,000
		Investments ...	156,685,503
		Advances and other Accounts ...	188,033,057
Capital paid up:		Liabilities of Customers for Acceptances, etc.	14,128,790
2,869,079 Shares of £12 each, £2 10s paid ...	15,158,621	Bank Premises ...	9,611,124
1,921,677 Shares of £2 10s each, fully paid ...	12,410,609	Shares in Yorkshire Penny Bank Limited ...	937,500
3,181,731 Shares of £1 each, fully paid ...	3,181,731	Shares in Affiliated Companies:	
Reserve Fund ...	578,663,617	Belfast Banking Company Limited ...	
Current, Deposit and other Accounts ...	4,797,146	The Clydesdale Bank Limited ...	8,199,732
Acceptances and Confirmed Credits ...	9,351,644	North of Scotland Bank Limited ...	
Engagements ...	620,381,637	Midland Bank Executor and Trustee Co. Ltd.	
			620,381,637

HEAD OFFICE: POULTRY, LONDON, E.C.2
Over 2000 branches in England and Wales

American industrial securities on to the Amsterdam market seems to be dictated by a desire to extend German interests even into this field. When, as at Amsterdam, the German authorities have succeeded in establishing business in I. G. Farbenindustrie, Vereinigte Stahlwerke, and Siemens & Halske, on the one hand, and in such shares as U.S. Steel, Radio Corporation and

General Motors, on the other, it has to be admitted that considerable progress has been made in restoring German influence in international finance. Less progress has been made in the other countries, where, for the time being at least, any infiltration or co-operation will be carried out *sub rosa*, but throughout the occupied areas Germany is in virtual control of the markets.

War Risks on Export Goods

(By a Correspondent)

THE diversion of British production to the war effort has rightly placed export goods in a category of importance second only to munitions. It has yet to be recognised that there is an obvious corollary: that when export goods are destroyed by enemy action they should be replaced as fast as possible. To this end it is therefore imperative that war-risk claims in respect of such losses be given precedence over others, so that the replacement is not held up for lack of the necessary funds. Any delay beyond what would normally be incurred by the process of trade turnover or any uncertainty regarding insurable interest is a brake on production, whilst if payment can be made more rapidly than the trade-turnover criterion a definite advantage is achieved.

Losses by enemy action can be divided into three classes according to the place at which they occur. Stocks may be in the workshop or warehouse of the supplier, in transit from warehouse to ship, or on board the ocean-going steamer which conveys them to their market. This classification conforms to the common factor in various trade usages, and existing insurance practice falls into line: the war risk can be insured to cover (a) stocks in warehouse, or (b) inland transit or (c) water-borne transit. Until quite recently only the third of these hazards could be covered, but the Government schemes now offer facilities for both other locations.

In recent experience, claims arising from losses in warehouse have proved to take some time in their formulation, assessment, and final settlement. Following complaints of delays, an official speeding-up has been undertaken which promises to curtail the period between lodgment and settlement. From the export market's viewpoint, prompt replacement can often be effected by tapping alternative sources of supply e.g. by diverting goods which would otherwise have gone to home markets, though the extent to which this is feasible largely depends on the nature of the destroyed merchandise.

The problems of loss at sea are, as far as the exporter is concerned, more a matter of securing the prompt return of the title-documents essential to the formulation of the claim. More delays have been due to this factor than to any other. It is normal trade practice for all parts of the bill of lading, and all copies of the marine and war risk policies or certificates, to be sent overseas: either they are lodged for presentation through collecting bankers where bills of exchange are drawn, or else they are sent direct to the "open-account" buyer. In view of the fact that at least one part of the bill of lading, accompanied by a copy of the insurance contracts, is required to support the claim, it seems desirable that these should be retained by the exporter or his agent. Banking practice appears to have been going through a change—complete so far only in the case of the Australasian banks—in order to conform to the necessities of present circumstances. Since commercial practice can be modified in this way it is undoubtedly better that traders, and not the insurers, should be responsible for the evolution.

A different problem arises with the land-transit loss. In normal trade export merchants buy from their suppliers on F.O.B. terms: the supplier sells "free on board" and is thus responsible for all expenses up to the time the goods are on the ocean-going steamer. Conversely, the duty of the buyer is to arrange with the shipowner for the carriage of the goods and advise the seller of the name of the vessel on which they are to be placed. During the past few months this has been particularly difficult on both sides. Ships have not arrived, or have been diverted to other ports, and enemy bombers have singled out the harbours and quays for their most

determined attack. It has been necessary to keep shipping arrangements secret, since to broadcast information regarding arrival and departure is to invite enemy attack at inopportune moments.

With so many difficulties in the way of the export merchants seeking to take up F.O.B. goods, some of them have been buying "Ex works" or "Ex warehouse" instead. This is not a satisfactory solution since it carries with it the more normal risks and expenses of transit from warehouse to ship: moreover, the manufacturer's organisation is usually built up to carry out this transit, as when he employs road transport in his own ownership or in that of a contractor who distributes for him in the home market as well as in export merchandise. Such insurance cover as the manufacturer arranges against fire and pilferage is usually applicable to stocks in land transit as well as in warehouse. Under these circumstances, the merchant's ex-works purchase of export merchandise is seldom a satisfactory solution of the land-transit war risks: it too often involves changing several cogwheels in a piece of machinery which functions well enough without the change.

In extreme cases goods are actually on the quayside or in course of loading when enemy bombs drop: ships have been cleared without allowing the loading process to be carried through with the care considered usual, and so the "subject to goods being on board" bill of lading has come into being. If the vessel should then be sunk, it is quite impossible for the parties to determine whether the loss occurred during transit by sea, or during transit to the vessel: in other words, if the merchant had bought F.O.B. it is not clear whether he or the supplier suffered the loss. This is, admittedly, a comparatively rare case so far, but it serves to emphasise that the F.O.B. contract, under present conditions of war-risk, is no more satisfactory than the "ex-works" sale of goods.

It is quite clear that the existing trade mechanism is being asked to carry a hazard which it is not suited to bear, and for which it cannot evolve a satisfactory solution. That can only be adequately provided by a more elastic approach to the provision of war-risk cover by the Government, possibly by the combination of sea- and land-transit risks into a more comprehensive policy for those whose trade it suits: the marine policy usually incorporates a "warehouse to warehouse" clause, and it would seem that a parallel is called for in the realm of war risk insurance.

If it is to prove attractive the "through" policy must necessarily recognise that its issue curtails clerical labour, and reduces the number of parties to be dealt with. Moreover the merchants who would be the insurers are more used to taking an intelligent initiative in the direction of insuring, as has been recognised by the conscription of warehouse stocks in the scheme covering static merchandise. In order to avoid dispute it would be well to offer a through policy at a premium slightly cheaper than the combined cost of present s.a. and land-transits.

TO CORRESPONDENTS.

Owing to the shortage of paper and the rise in postage rates it is necessary to announce that letters cannot ordinarily be acknowledged or manuscripts returned unless a stamped and addressed envelope is sent for the purpose.

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

Finance and Banking

Scarcer Credit

The supply of funds in the money market has contracted appreciably during the past week. The total of bankers' deposits at the Bank of England has fallen by £24,077,000 to £95,127,000. In part this is offset by a further reduction in Government securities, but in the main it reflects the expansion in public deposits which have risen by £20,520,000 to £35,309,000. One of the factors at work is the preparation for the repayment of 1 per cent. Treasury Bonds which fall due on Saturday of next week. It may now be assumed that the Treasury have no intention of making a conversion offer specifically aimed at this maturity. So small a portion of the £100,000,000 outstanding is in the hands of the public that the maturity of this loan can be handled without undue disturbance to the Exchequer position. The ease with which the repayment of the outstanding balance of this loan will be repaid must be accentuated by the fact that revenue payments are flowing in very well at this particular time. In addition, the cash resources of the Exchequer have recently been supplemented by official sales of Conversion 2 per cents. The public departments were left fairly large holders of this issue when it was offered in exchange for Conversion 4½'s last year and the stock has been available on tap ever since. The tap price has been twice raised during the past fortnight and this confirms other indications that the outlet for this stock in the market and among banks has recently broadened. The draining of bank cash consequent on heavy revenue payments and sales of securities by public departments has proved sufficient to force the authorities to give special help to the market. It is interesting that this help has not been given by direct purchases of bills from the clearing banks, but by purchases from the discount market. The bills taken this week have been March maturities at a rate of 1 per cent.

Sterling Area in Africa

The spread of the sterling area in Africa has this week proceeded even more quickly by agreements made with our Allies than by force of arms. The commercial and financial agreements made with the Belgian Congo and with the Free French territories virtually bring these important areas within the bounds of the sterling area. They make Africa—except for the rapidly contracting

enemy territories and the North African fringe—a vast area whose different currencies are stabilised in terms of sterling, subject to the same system of exchange control and readily interchangeable into one another. It is this accomplishment rather than the gain in foreign exchange promised by the new agreements that gives them their importance. The commercial part of the agreements provides for certain minimum British purchases of commodities from the territories concerned. The exports of these Belgian and French territories to countries outside the sterling area will, from now on, feed the foreign exchange resources of the British Treasury. The proceeds of such exports, after providing for the essential needs of these colonies, will be sold to the British authorities in exchange for sterling. The rate of exchange between sterling on the one hand and the Belgian and French colonial francs has been fixed at 176.625 francs to the £. The whole system of exchange regulations in the Belgian Congo is to be overhauled and made to comply as closely as possible with the system operating in the sterling area, and the Banque du Congo Belge, which is the issuing authority for the Belgian colony, will be endowed with the necessarily enlarged powers.

Erlangers' Acceptances

The balance sheet of Erlangers, Ltd., for the end of 1940 is of particular interest for the resistance it reveals of the acceptance business of this firm of merchant bankers. The acceptances outstanding at the end of the year amounted to £2,222,733, against £2,401,921 a year previously. Part of these totals, namely, the facilities granted to customers in Germany, is, of course, not susceptible of contraction at the moment. The total involved on December 31st last was £739,775, and the value to be attached to these claims must remain a matter for considerable conjecture for the time being. But the balance, representing the active acceptance business of this firm, has shown an exceptional degree of resistance to the forces which have been making for a persistent contraction in the volume of banking facilities used by trade and industry in this country. That this should be so can only be due to the initiative with which the firm in question has tackled the problem of diverting its facilities from the traditional channels of international trade to that of domestic finance.

WILLIAMS DEACON'S BANK LTD.

(Member of the London Bankers Clearing House)

PRINCIPAL LONDON OFFICES:
20 BIRCHIN LANE, E.C.3 | 9 PALL MALL, S.W.1

PRINCIPAL MANCHESTER OFFICES:
MOSLEY STREET, 2 | ST. ANN STREET, 2

OTHER OFFICES THROUGHOUT LONDON, LANCASHIRE, YORKSHIRE, CHESHIRE, DERBYSHIRE, STAFFORDSHIRE AND NORTH WALES

THE BANK ACTS AS EXECUTOR AND TRUSTEE
HOME AND OVERSEAS BANKING FACILITIES AT ALL OFFICES OF THE BANK

CAPITAL ISSUED	...	...	...	...	...	...	...	...	£ 8,125,000
CAPITAL PAID UP	...	...	...	...	...	...	...	...	1,875,000
RESERVE FUND	...	...	...	...	...	...	...	...	900,000
CURRENT AND DEPOSIT ACCOUNTS	...	...	...	...	...	...	...	...	50,864,913
CASH IN HAND AND AT BANK OF ENGLAND	...	...	...	...	...	...	...	...	6,826,609
MONEY AT CALL AND SHORT NOTICE	...	...	...	...	...	...	...	...	7,556,267
BILLS DISCOUNTED	...	...	...	...	...	...	...	...	1,958,232
TREASURY DEPOSIT RECEIPTS	...	...	...	...	...	...	...	...	5,500,000
INVESTMENTS	...	...	...	...	...	...	...	...	14,928,255
ADVANCES	...	...	...	...	...	...	...	...	12,199,316

31st December, 1940

Life Assurance New Business

In 1940 sums assured by new life policies fell away by 37 per cent., after a decline of 20 per cent. in 1939. There is no need to seek far afield for explanations; in fact, it is rather surprising that the loss of business has not been greater. Contracts of a long-term nature can only be entered into where it is possible to look ahead with some measure of certainty, and many prospective policy-holders must have hesitated before committing themselves to payments which must continue in an unpredictable future. Higher rates, due to lower interest earnings and increased taxation, as well as less favourable bonus prospects on with-profit policies, have added to the difficulties with which the offices have had to contend. The reduction in new business is a matter for serious regret, not only because of the merits of life

NEW ORDINARY LIFE ASSURANCES
(In £'000's)

Office	1939	1940	Rise or Fall
Atlas	2,999	2,025	- 974
Britannic	2,574	2,099	- 475
Caledonian	1,455	827	- 628
Clerical Medical	1,968	755	- 1,213
Commercial Union	4,719	2,899	- 1,820
Confederation Life	1,316	1,056	- 260
Co-operative	2,676	1,572	- 1,104
Eagle Star	5,836	7,600*	+ 1,764
Equitable	1,789	860*	- 929
Equity and Law	1,848	597	- 1,251
Friends Provident and Century	2,010	1,390	- 620
General Life	1,552	812	- 740
Gresham	1,184	962	- 222
Guardian	1,363	824	- 539
Law Union and Rock	2,055	1,411	- 644
Legal and General	6,429	4,230	- 2,199
Life Association of Scotland	1,311	838	- 473
Liverpool and London and Globe	2,445	1,392	- 1,053
Liverpool Victoria	2,630	1,700	- 930
London Life	2,010	666	- 1,344
London Assurance	2,100	1,490*	- 610
London and Scottish	1,314	713	- 601
Manufacturers Life	976	774	- 202
Mutual Property	741	414	- 327
National Mutual of London	5,889	1,789	- 4,100
North British and Mercantile	10,801	6,500*	- 4,301
Northwich Union	6,661	5,786	- 875
Pearl	4,027	2,000*	- 2,027
Phoenix	35,047	18,800*	- 16,247
Prudential	6,423	4,873	- 1,550
Refuge	4,474	2,970*	- 1,504
Royal	2,966	2,220	- 746
Royal Exchange	4,396	2,578	- 1,818
Royal London	1,686	925*	- 761
Scottish Amicable	1,723	697	- 1,026
Scottish Life	2,323	1,402	- 921
Scottish Provident	1,161	615	- 546
Scottish Temperance	3,476	2,388	- 1,088
Scottish Widows	3,672	2,161	- 1,511
Standard Life	4,516	3,732	- 784
Sun Life of Canada	4,019	2,616	- 1,403
U.K. Provident	215	117	- 98
University Life	1,178	528	- 650
Wesleyan and General			
Totals	160,016	101,044	- 58,972

* Approximate.

assurance *qua* life assurance, but also by reason of its importance as a medium for saving. The significance of the new business figures should not, however, be exaggerated. New policies form but a small proportion of the total assurances in force, and it is unlikely that premiums have fallen to any marked extent. On the savings aspect of assurance it is thought that the offices have suffered, instead of benefiting, from the National Savings Campaign. The two forms of saving are not, of course, on all fours—life assurance connotes sustained saving over a long period by contrast with the more transitory appeal of the savings campaign—nevertheless, there may well be a popular feeling that it is more patriotic to subscribe to defence loans than to save through a life office, an illogical feeling, since a high proportion of life funds finds its way into Government securities. To counteract it, some offices, as in the last war, are offering 15-year endowment policies under which the sum assured is payable in savings bonds in lieu of cash. These contracts have the apparent attraction that the payment of the first premium initiates the immediate purchase of bonds for the full sum assured, but the extent to which they can be offered is clearly conditioned by the total funds available for investment.

More Exchange Loopholes Closed

The history of most schemes of exchange control is one of constant catching up with would-be evaders of the regulations already in force. Provided the basis of the general scheme of control is sound, these occasional amendments are in themselves of little concrete importance. That is true of a batch of new regulations issued this week to regularise the position of travel agencies in their foreign exchange transactions. The broad effect of the new regulations is to restrict the purchase of travelling facilities and hotel accommodation in the United Kingdom to places in the United Kingdom. They also forbid the refund of any such bookings in any currency other than sterling. The developments which have given rise to this further tightening of the sterling exchange control, though unimportant in terms of the absolute amounts involved, offended so grossly against the spirit of the regulations that the attack on them had become rather overdue. Recent reports from centres such as Lisbon had revealed the emergence of a market in return tickets to Britain and hotel accommodation in this country. These were mostly sold at appreciable discounts and the foreign buyer would thereupon cancel the accommodation represented by his purchase and claim refund in foreign currency. The foreign exchange proceeds of the deal would then be divided between buyer and seller. The new regulations should effectively stop such small but noxious loopholes in the control of capital exports.

Investment

Long Term Factors

In days long prior to the outbreak of war, it used to be said that the only development outside this country, which had power to affect prices for more than a day at a time, was some major move by Germany. Since the country has recovered from the shock of the French collapse, this insensitiveness to overseas developments has, in large measure, returned. Except for stock directly involved, the market has taken no very great account of our successes in the Mediterranean, of the deterioration, and subsequent improvement in our defence against the submarine attack on shipping, or indeed of the conversion of the average American from benevolent neutrality to something approaching full co-operation. It is, however, just possible that talk of invasion has still power to slow down investment demand and that the burst of publicity, which the possibility of an attempt has just received, may have helped to stop the rise in prices and to produce the semi-stagnation from which the market began to suffer early this week. On the other hand, it is perhaps more probable that this change is mainly the inevitable reaction from a rather

rapid rise in some prices, intensified by the realisation that important changes in internal conditions are now matters of official policy, even if it may still take months before that policy becomes effective. These promised developments contain the possibility of a further limitation of private control of industry—at least so long as a state of emergency lasts—and must give pause to those who are investing in equities. There is nothing so far to indicate any further attack on the earning power of those concerns working for national ends, but there is a new uncertainty as to the general status of private capital. As against this, the position of the firms working in the national interest, as compared with those who cater merely for private satisfactions, is made clearer than in any official statement hitherto. It may be that investors have to face a swing of earning power away from the latter more protracted, if not even larger, than they had anticipated. There is, however, in the recent movement of equity prices some evidence that this new development has been discounted. While the slight rise in industrial values has been very widely spread, there has been going on behind it an exceptional improvement in a few ordinary shares on a much more substantial scale.

This has resulted in a very definite widening of the yield margin between these few selected shares and the general body of industrial equities. The select few cover in the main the leading concerns in a few small industries, whose activities are not only essential in war-time, but whose secular trend may be expected to continue upwards when hostilities are over. This is, of course, not a new development, but it has been accentuated. Whether in point of fact yields, which begin to approach the gilt-edged scale, are really justified even for this group will depend on future taxation policy, that is to say on political factors, but it is interesting to observe that post-war factors are beginning to be given more weight. A more logical reaction would perhaps be a protracted halt in the rise in general equity values. It seems probable, however, that these will be dragged upwards by a rise in the Funds such as is almost inevitable as a result of the growing substitution of Government finance for bank advances, and the resultant purchase of longer dated Government stocks by the banks, in an attempt to maintain the rate of earnings on total resources. There is also a slight hope of some revision of E.P.T. to buoy up prices.

Need for Longer Session

In commenting on the decision of the Committee of the Stock Exchange, London, reached in the latter part of September, to curtail the hours of official dealing and to close at 2 p.m., *The Economist* stated that this was a concession to the difficulties of transport, which were then at their greatest. Even so, it was rather felt that it might have been as well to wait for the end of summer-time. Summer-time has been with us throughout the winter; the days are now beginning to lengthen, and there is every reason to suppose that the new Government measures will lessen the burden on the shoulders of those who up to now have borne the whole weight of A.R.P. There have been many other developments since last September, one of particular importance in this connection being that, even if you obey the G.P.O. advertisements and catch the noon post, whatever else you miss, your order will still arrive comparatively late. Moreover, the volume of business is increasing, and telephone communications are such that in some cases it is necessary to revert to the messenger, a type of employee conspicuously difficult to obtain. In fact, for a variety of reasons, the time has come when the Committee ought to go back on its decision of September last and return to later closing. Nor does there seem any justification for paying attention to a minority movement which is urging a compromise of closing at 2.30 p.m. Lloyd's have set the example of going back to a 4 p.m. closing as from Monday week. While they closed at 3 p.m., they made the time up by working through the official lunch hour. Since the stock market had not permitted itself the luxury of a mid-day recess, it could not follow this example, but it is now the talk on Lloyd's that, despite the return to the full working day, the new practice of avoiding a break is to be retained. Surely this example

should suffice to encourage the stockbroker to keep the House open until 3 p.m. and the jobber to remain for a reasonable length of time after that. It is even possible that, if the authorities decide to add a second hour to summer-time, the market may be called upon to work even later, when the days are longest, with or without a corresponding delay in opening to permit of more complete delivery of mails before the official start.

"Tap" Issue Results

With subscriptions amounting to £9,477,415 for 2½ per cent. National War Bonds, 1946-48, and to £6,124,914 for 3 per cent. Savings Bonds in the third week in which they have been on sale, the three weeks' total for both classes of issue is brought to £55,899,239. Thus the upward trend of weekly subscriptions has not been maintained. The initial reception of the new issues was, moreover, much less satisfactory than that accorded to 2½ per cent. National War Bonds, 1945-47, in June and July last. In the first fortnight in which that issue was on tap, subscriptions amounted to £61,000,000, compared with £38,296,910 for the first fortnight's subscriptions to both classes of the new issues. It is difficult to estimate to what extent this £38,000,000 represents a net increase in savings and to what extent it has been obtained at the expense of other Government issues. The new experiment of a 3 per cent. medium term loan, issued through the tap, may, to some extent, have attracted savings away from 3 per cent. Defence Bonds. It is true that the earlier maturity of the latter should make them more attractive, but for months past it has been the demand for the "longs" which has dragged up the price of "shorts." If the recent trend in this market continues, it may not be long before the new 3 per cent. Savings Bonds stand at a premium in a free market, whereas the holder of the 3 per cent. Defence Bonds has to wait seven years for his one point premium, and suffers limitation on his power to realise in the meantime. In fact, the Defence Bond terms, which read like a "pipe dream" to many institutions, may prove to have less attraction than was expected for the man of moderate means. Whatever light a fuller experience may throw on the point, the latest returns of small savings for the week ending January 14th do lend some support to this view. So far, no substantial recovery has been made from the low level to which both types inevitably declined over the Christmas holiday, and sales of Savings Certificates, after a partial recovery, actually declined in the latest week from £3,322,000 to £2,756,000. Sales of Defence Bonds continued to improve, but reached a total of only £3,373,000, against £4,548,000 in the week ending December 17th, the last normal week before the holiday period. The total of small savings for the week to January 14th, at £9,722,000, against £9,471,000 in the previous week, is the fourth in succession which falls short of £10,000,000, a level which was achieved throughout the greater part of November and December. No doubt the commencement of collection of income tax at source from wages is partly responsible for the continuation of the Christmas setback. Too late, sales of the new "tap"



DISTRICT BANK

LIMITED

Established 1829

HEAD OFFICE:
Spring Gardens, MANCHESTER, 2

PRINCIPAL LONDON OFFICE:
75 Cornhill, E.C.3

PRINCIPAL LIVERPOOL OFFICE:
3 Water Street

Subscribed Capital - £10,560,428 Paid-up Capital - £2,976,428
Reserve Fund - £2,976,428 Deposits - £105,378,932
Total Assets - £115,339,166
31st December, 1940

EVERY BANKING FACILITY

NEARLY 600 BRANCHES

issues have not been sufficiently satisfactory to offset the low level of small savings, weekly subscriptions varying about a mean of some £17,000,000 compared with a mean of some £20,000,000 for 2½ per cent. National War Bonds, 1945-47, in the first three weeks of December. Thus, the reception of 3 per cent. Savings Bonds alone, despite the undoubted attractions of the issue, cannot be said to have been exceptionally enthusiastic. The issue is not a failure, but a substantial measure of its success appears to have been secured at the expense of other forms of national savings.

* * *

Commonwealth Mining Affairs

While the boards of the Commonwealth Mining-Great Boulder group of companies, both British and Australian, are presumably making some progress with the scheme of reconstruction sanctioned at the end of last year, it appears that the dissentient shareholders have not been idle. The business of compiling a register of those who are dissatisfied with the position is nearing completion, and the solicitors to the Great Boulder Proprietary Shareholders Committee—the body representing the dissentients—have prepared an analysis of some of the more important facts available, from which those interested should be able to reach a conclusion on the broad outlines of the affair. So far there is no sign of any contact between this Committee and the boards of the companies, nor is there any reason to suppose that a *rapprochement* will be effected after the very summary treatment accorded to the outside interests in the matter of the annual meetings. So far as can be gathered, however, the Committee appear to consider that they have a strong case, and, that being so, since neither party seems to favour negotiation, there seems to be no alternative but to incur the expense of taking the matter to the courts. This is in a sense regrettable, but it is only by such action that the intention of the Companies Acts can be exactly determined and the standard of behaviour expected made clear.

* * *

Home Rail Enigma

In a state, which does not shrink from adopting authoritarian procedure to make its war for democracy more effective, there can be few complaints from the owners of British railways—who themselves constitute a financial democracy—that they, too, must yield some peace-time privileges. Since the beginning of the war, the Home Rail stockholder has been kept on distinctly short commons for information regarding his fortune and prospects. Like the rest of the community, he has never been vouchsafed the full details of the financial agreement which was published in outline nearly a year ago. He knows the general way in which the agreement works, and has gradually learned to distrust its inflationary symptoms—sensing that an arrangement which the railways did not invite, and which causes such opposition among traders, can hardly be laying a satisfactory foundation for the lasting welfare of British railways. But these are general and very obvious propositions. The rest is shrouded in a factual black-out. Since the transport pool results were published for the first half of 1940, no firm evidence of the level of railway earnings has been made available. The large unknowns in computing an estimate of railway earnings are the volume of traffic, the extent of war damage, and the measure in which rising costs have outstripped the rising charges which have been conceded to the companies and London Transport. There is no possible scope here for dividend estimation, and any special attention which is paid to Home Rails on dividend expectations alone can only be described as irrational. In the first half of 1940, pool earnings ran about midway between the guaranteed Stage 1 minimum of £89.7 millions per annum and the Stage 2 level of £43.5 millions. What has happened since depends upon the major factors which have already been referred to. But there are other elements in the problem. What has happened to London Transport revenues as a result of the "blitzkrieg"? The board's financial year is now a calendar year, and the pool will feel the full effect of the depletion of revenues of its weakest partner. Are the finances of the wagon pool in self-balancing order? And will the companies have to pay back, from their earnings last year (if they suffice), between £2 and £3 millions for A.R.P. outlay originally expended by the Govern-

ment on their behalf? There is scarcely need, in these circumstances, to stress the necessarily arbitrary character which the forthcoming railway dividends and accounts will present. They will, in truth, be accounting approximations, which make the best estimate of revenues, having regard to a host of controlling factors. In each one of these factors, there is room for a sufficient margin of error to make nonsense of any dividend forecasts. It will be better for the railway stockholder's peace of mind if he waits for the tablets to be handed down on February 19th.

* * *

Tobacco Prospects

The full accounts of Tobacco Securities Trust, which holds interest in the subsidiary companies of British-American Tobacco and is itself controlled by B.A.T., shows that for the year to October 31, 1940, the level of earnings has been well maintained. Net profits, after all expenses, including directors' fees and taxation, amount to £498,910, against £535,700. Despite higher taxation, the company is able to maintain the 11 per cent. final dividend on ordinary capital, making 16 per cent. for the year, and also the 4.6 per cent. payment on deferred capital, both of which rates have been paid since 1936-37. Allowing for under-deduction of tax on the interim dividend distributed in May last, and for Dominion income tax relief, the payments on ordinary and deferred capital are subject to tax at 5s. 11½d. in the £. As in the three previous years, no allocation is made to general reserve, but the steady increase in the carry forward is continued from £156,345 to £162,255. The balance-sheet shows a rise in creditors, including taxation from £41,875 to £221,892, which has financed an increase in other investments from £2,952,642 to £3,232,655, being a rise of £280,013 in the company's subscriptions to war loan. Cash holdings are slightly higher at £879,544, against £827,408. In the course of his speech circulated with the report, the vice-chairman, Sir Hugo Cunliffe-Owen, stated that the trust had disposed of its balance of shellac at improved prices by October last and consequently has no further interest in the commodity. In his speech at the annual meeting of the British-American Tobacco Company, Sir Hugo drew attention to the heavy drain on net profits caused by the increasing taxation, to which the company is subject in a large number of countries. He pointed out that the payment of a dividend, which absorbed so high a proportion of the year's earnings, was made out of consideration for the views of stockholders, and was also made possible by the conservative dividend policy of the board in previous years permitting the transfer of £500,000 to reserve for contingencies from "premium on ordinary stock" rather than from dividends. Whether, in the face of the certainty of further rises in taxation during the current year, present dividend levels can be maintained is highly doubtful, although Sir Hugo has affirmed that the curtailment of the first interim payment for the current year does not necessarily imply a reduction in the total payment below that of last year.

* * *

Lancashire Banking Earnings

In *The Economist* of a fortnight ago, there was printed a comparison of figures of some of the leading banks which did rather less than justice to the showing of the District Bank. The error arose from the regrettable lack of uniformity among the banks in the manner of presenting their profits, in that some deduct tax on dividends before arriving at the published figure, and some do not. It is particularly to be regretted that the

	1938	1939	1940
District ...	£ 581,615	£ 582,372	£ 586,728
Martins ...	772,929	776,025	791,029
Williams Deacon's	292,678	298,865	301,418

District Bank should have suffered in this comparison, since it adheres to the more general practice. Really comparable figures are given above for the three "Lancashire" banks. The profits are before deducting tax on dividend in each case. In accordance with the practice of *The Economist*, the figures are given after deducting staff pension appropriations. The modest character of the rise in the figures of the District Bank in 1940 is due entirely to the fact that this item increased by £10,000, whereas for the other banks it was unchanged.

REPUBLIC OF CHILE

SERVICE OF THE EXTERNAL DEBT RELATING TO THE YEAR 1940 (Law No. 5580, 31st January, 1935).

The Caja Autonoma de Amortizacion of the Public Debt of the Republic of Chile, in accordance with the provisions of Article 6 of the Regulations of Law No. 5580 of 31st January, 1935, approved by the Supreme Decree No. 3837 of 24th October, 1938, declares that it has received in the year 1940 the following revenues applicable to the service of the External Debt:—

	U.S.\$
Profits of the Chilean Nitrate and Iodine Sales Corporation ..	3,468,354.84
Fourth Category and additional income tax on the Copper Companies	5,864,979.84
Quota of the duties on petroleum for the Nitrate Industry (Article 7 of Law No. 6155 of January 6, 1938)	60,161.14
Quota of the duties on petroleum for the Copper Companies (Article 7 of Law No. 6155 of January 6, 1938)	64,286.74
	<u>U.S.\$9,457,782.56</u>

50% of this revenue, or the sum of U.S.\$4,728,891.28, will be applied to the payment of interest at the rate of U.S.\$1.539 per hundred dollars nominal capital, Sw. Fcs.1.539 per hundred Swiss francs nominal capital and £1 10s. 9.36d. per hundred pounds nominal capital.

With the remaining 50% of the revenues received, bonds have been redeemed to the nominal amount of U.S.\$6,215,500, Swiss francs 30,000 and £1,100 and have been withdrawn from circulation.

After making the above-mentioned redemptions the balances of bonds of the External Debt are as follows:—

£27,762,471
U.S.\$170,208,500
Swiss Fcs.108,964,000

The last-mentioned of these balances has, moreover, been reduced by Sw. Fcs.236,000; this reduction corresponds to Swiss franc bonds redeemed extraordinarily by the Municipality of Santiago in the year 1940.

Deducting this amount from the figures given above, the actual balances of the bonds of the External Debt in circulation are as follows:—

£27,762,471
U.S.\$170,208,500
Swiss Fcs.108,728,000

Santiago de Chile, 28th December, 1940.

THE STOCK EXCHANGES

London

Note: all business is for cash

At the close of last week, the firm tone in all sections of the London market was maintained, and interest continued to centre on industrial equities, though immediately before the week-end business was on a smaller scale than in the earlier part of the week. On Monday, markets opened cautiously and the next day a general profit-taking caused small losses in all but the gilt-edged market. This movement was, however, corrected in mid-week by encouragement derived from the capture of Tobruk and a long list of industrials improved. Home railway ordinaries were easier during the whole period, and in the foreign bond market selling predominated.

After falling to a low level before the week-end, turnover in *kaffirs* failed to improve this week. Sub Nigel lost $\frac{1}{8}$ on two consecutive days and "Sallies" and E. Daggas were also offered. There was little interest in developing mines. In the rubber market, a number of stocks changed hands, but the transactions exercised small influence on price movements. Pataling, however, gained $\frac{1}{2}$ d. on Monday and Tandjong lost the same amount the following day. The leaders in the oil market reacted in sympathy with the general selling movement on Tuesday, Anglo-Iranian, Burmah Oil and Attock all being quoted lower, although Shell Transport stood firm. In mid-week Anglo-Iranian and Burmah eased further.

"FINANCIAL NEWS" INDICES

1941	Approx. Total Bargains in S.E. List	Corres. Day 1940	Security Indices
			30 Ord. shares* 20 Fixed Int.†
Jan. 16 ..	2,258	4,182	73.1 126.9
" 17 ..	2,408	4,470	73.7 127.0
" 20 ..	2,818	5,140	73.7 127.1
" 21 ..	2,046	4,755	73.1 126.9
" 22 ..	2,466	4,660	72.9 127.1

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1941: highest, 73.7 (Jan. 17); lowest, 70.5 (Jan. 2). 20 Fixed Int., 1941: highest, 127.1 (Jan. 20); lowest, 120.1 (Jan. 2).

New York

MARKETS showed little reaction to the President's inaugural speech and business continued to be at a low ebb. Prices moved irregularly, usually opening firm, with a certain amount of investment buying, which was followed by renewed dullness. Steel issues fluctuated uncertainly, but there was some sustained support for aircraft and rail stocks. Rumours of further liquidation of British-owned dollar securities contributed to a somewhat uneasy sentiment, which was, however, counteracted by news of the capture of Tobruk. In mid-week, consequently, markets closed firm. The *Iron Age* estimates steel mill activity at 99 per cent. of capacity, against 98 per cent. in the previous week.

New York Prices

Total share dealings:—Jan. 15, 400,000; Jan. 16, 610,000; Jan. 17, 580,000; Jan. 18, 250,000; Jan. 20, 380,000; Jan. 21, 580,000.

	Close Jan. 14, 1941	Close Jan. 15, 1941		Close Jan. 14, 1941	Close Jan. 15, 1941
1. Railroads			Celanese of A.	27 $\frac{1}{2}$	28 $\frac{1}{2}$
Balt. & Ohio...	4	34	Chrysler	70	65 $\frac{1}{2}$
Ill. Cent.	27 $\frac{1}{2}$	27	Curt. Wr. "A"	28 $\frac{1}{2}$	28
N.Y. Cent.	14 $\frac{1}{2}$	13 $\frac{1}{2}$	Eastman Kdk.	138	137
Norfolk Pac.	6 $\frac{1}{2}$	6	Gen. Elec.	35	34
Pennsyl. El.	23 $\frac{1}{2}$	23 $\frac{1}{2}$	Gen. Motors ..	47 $\frac{1}{2}$	44 $\frac{1}{2}$
Southern	12 $\frac{1}{2}$	12 $\frac{1}{2}$	Inland Steel ..	87 $\frac{1}{2}$	86 $\frac{1}{2}$
2. Utilities, etc.			Int. Harvest ..	51 $\frac{1}{2}$	49 $\frac{1}{2}$
Amer. Tel.	167 $\frac{1}{2}$	166 $\frac{1}{2}$	Liggett Myers ..	25 $\frac{1}{2}$	25 $\frac{1}{2}$
Amer. Wks.	61	60	Nat. Dairy	14 $\frac{1}{2}$	14 $\frac{1}{2}$
Pac. Light.	39 $\frac{1}{2}$	37 $\frac{1}{2}$	Nat. Distillers	23 $\frac{1}{2}$	22 $\frac{1}{2}$
Pub. Sv. N.J.	29 $\frac{1}{2}$	28 $\frac{1}{2}$	Nat. Steel	66 $\frac{1}{2}$	63
Stn. Cal. Ed.	27 $\frac{1}{2}$	26 $\frac{1}{2}$	Proct. Gamble ..	57 $\frac{1}{2}$	57 $\frac{1}{2}$
United Gas.	10 $\frac{1}{2}$	10	Sears Roebuck ..	77 $\frac{1}{2}$	76
3. Commercial and Industrial			Shell Union ...	11 $\frac{1}{2}$	10 $\frac{1}{2}$
Amer. Metal ...	19 $\frac{1}{2}$	18 $\frac{1}{2}$	Socoy Vac.	9	8 $\frac{1}{2}$
Am. Roll. Ml.	14 $\frac{1}{2}$	13 $\frac{1}{2}$	Stan. Oil N.J.	38	38 $\frac{1}{2}$
Am. Smelting ...	44	41 $\frac{1}{2}$	20th Cen. Fox ..	6 $\frac{1}{2}$	6 $\frac{1}{2}$
Anaconda	26 $\frac{1}{2}$	24 $\frac{1}{2}$	U.S. Steel	68 $\frac{1}{2}$	67
Briggs	24 $\frac{1}{2}$	23 $\frac{1}{2}$	West'ho El.	102 $\frac{1}{2}$	99 $\frac{1}{2}$
			Woolworth	33 $\frac{1}{2}$	32 $\frac{1}{2}$
			Yingstn. Sheet.	39 $\frac{1}{2}$	37 $\frac{1}{2}$

Apart from the sharp reaction on Tuesday, due to profit-taking, the upward trend of industrial equities continued. The motor section was generally higher and Rolls Royce gained $\frac{1}{8}$, against the trend on Tuesday, when, however, the stores section and breweries eased. There was some demand for electrical equipment, and among general industrials Associated Portland Cement remained a favourite, while Dunlop, I.C.I. and British Aluminium were all in demand. On Tuesday, International Nickel dropped $\frac{1}{2}$ point and Brazilian Traction $\frac{1}{4}$, while Turner and Newall and Murex failed to hold earlier gains. Small rises were enjoyed daily, except on Tuesday, by a long list of heavy industrials. At the beginning of the week there was some improvement of interest in the shipping section, Clan Line gaining $\frac{1}{4}$. The tobacco leaders were in demand, although, pending the announcement of the Imps. dividend next week, buying was somewhat cautious.

STANDARD STATISTICS INDICES

(1926 = 100)

WEEKLY AVERAGES

	1941	Dec. 31, 1940	Jan. 8, 1941	Jan. 15, 1941
347 Industrials	95.0	94.4	96.0	95.0
32 Ralls	27.5	27.9	26.9	27.9
40 Utilities	78.5	78.7	78.0	78.5
419 Stocks	81.5	82.1b	80.9	82.1
Av. yield*	6.22%	6.13%	6.26%	6.13%
	High	Low		

* 60 Common Stocks. (a) Jan. 15. (b) Jan. 8.

DAILY AVERAGE 50 COMMON STOCKS

Jan. 9	Jan. 10	Jan. 11	Jan. 13	Jan. 14	Jan. 15
105.50	105.80	105.60	105.30	104.70	103.70

1941 High: 105.80, January 10th. Low: 102.10, January 2nd.

Capital Issues

Week ending January 25, 1941	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.†	2,755,757	Nil	2,755,757
3% Defence Bonds† (s)	3,372,945	Nil	3,372,945
24% Nat. War Bonds†	65,102	Nil	65,102
Ditto, 2nd Issue†	11,829,847	Nil	11,829,847
3% Savings Bonds† (t)	10,673,863	Nil	10,673,863

† Week to January 14th, 1941. ‡ Week to January 14th, 1941, making total since June 25th, £443,961,186. (s) Total sales to January 14th, 1941, £209,408,290. (t) Total sales to January 14th, 1941, £17,527,563.

Year	Including Conversions	Excluding Conversions
1941 (New Basis)	69,559,516	69,559,516
1940 (New Basis)	373,461,364	20,706,231
1941 (Old Basis)	69,540,512	69,540,512
1940 (Old Basis)	370,587,933	17,832,800

Destination (Conversions Excluded)

Year	U.K.	Brit. Emp. ex U.K.	Foreign Countries
'41 (New Basis)	69,540,512	19,004	Nil
'40 (New Basis)	20,651,729	54,502	Nil
'41 (Old Basis)	69,540,512	Nil	Nil
'40 (Old Basis)	17,832,800	Nil	Nil

"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.—Despite a small setback in both gross and net earnings, the latter from £67,808 to £58,350, GREAT NORTHERN INVESTMENT TRUST is maintaining the 6 per cent. dividend. Total profits of RIVER PLATE & GENERAL INVESTMENT TRUST are also slightly lower at £59,823 against £60,785 and net earnings have fallen from £43,548 to £42,226, but the 10 per cent. dividend is paid as before. BIRFIELD INDUSTRIES, the engineering concern, have realised a satisfactory rise in total earnings from £72,975 to £81,458 and in net income from £64,994 to £70,440. The company is repeating the 12 $\frac{1}{2}$ per cent. dividend. The ordinary dividend of SECOND COVENT GARDEN PROPERTY is cut from 6 to 2 $\frac{1}{2}$ per cent. Net profits amount to £40,779 against £56,386 and total income is also lower. Moreover, the market value of the company's investments has fallen from £83,670 at November 30th, 1939, to £29,708 a year later, while the balance-sheet value, at cost, remains £160,723. The ordinary dividend of JOHN CROSSLEY & SONS, carpet manufacturers, is

(Continued on page 181)

Industry and Trade

Chemical Control Board

In a brief statement issued by the Ministry of Supply on January 19th, it was announced that Mr F. W. Bain had been appointed chairman of the Chemical Control Board. The Board will "deal with questions relating to the control and development of supplies of the chemicals falling within the scope of the Raw Materials Department of the Ministry of Supply." It will consist of the controllers of the various chemicals and of other persons whose services may be available for the consideration of special problems. Ever since the outbreak of war the Ministry of Supply has relied largely on Imperial Chemical Industries for the organisation of supplies of chemicals at home and abroad. In view of the dominating position of this concern in the chemical industry, this is scarcely surprising. Nor, in view of the frequent practice of appointing as controllers leading personalities from the industry concerned, is it surprising that the name of the chairman of the new Chemical Control Board is included among the list of directors of I.C.I. The appointment of the new Board is a step in the consolidation of the control of chemical supplies. It would be a pity if it also became a step in the process of extending the dominance of British industry by legally-recognised monopolies.

Control of Cold Storage Industry

Heavy shipping losses and the growing need of ships for the transport of munitions have not only forced a curtailment in the carrying space allocated to food, but they have also affected the regularity of food shipments. The conservation of stocks is now more important than ever. It was therefore to be expected that, in addition to increasing storage facilities, the Government found it necessary to exercise closer control over the cold storage industry. The Cold Storage (Control of Undertakings) Order, 1941, made by the Ministry of Food, and the Cold Storage (Control of Undertakings) (Charges) Order, 1941, made by the Treasury, bring virtually all the stores capable of maintaining the temperatures needed for storing meat, butter and bacon within a comprehensive scheme of control. The Minister of Food has been given power to issue directions to cold storage undertakings concerning the commodities to be stored, the temperatures to be maintained, the method of storage, and the persons to be employed by them. The scheme also ensures to the controlled undertakings the minimum revenue necessary to keep them in efficient operation. The Ministry of Food is to fix cold storage rates for all Government-owned produce which, at present, forms a very high proportion of the total quantity of produce in cold storage. Individual undertakings will have to hand over to the Ministry any net revenue in excess of the minimum deemed necessary to maintain them in operation, this amount being based partly on the net cubic capacity of the stores. This fund is to be used to make up the deficiency in the revenue of undertakings which have failed to earn the minimum necessary for their efficient operation. The remainder is to be distributed, up to a maximum, to those concerns whose earnings are in excess of the minimum standard, while the balance, if any, is to be disposed of by agreement between the Ministry of Food and the Treasury. In order to ensure the smooth operation of the scheme, the Ministry of Food has invited the cold storage industry to select a small committee to collaborate with it.

Rise in Rayon Prices

After five months of stability, the price of rayon yarn has been advanced by about 3d. per lb., with effect from March 1st. So far no change has been announced in the price of staple fibre, which is only 15 per cent. higher than before the war. The increase in the price of continuous filament yarn, which has been made necessary by rises in the cost of materials and labour, and by the increased overheads per lb. produced consequent upon restriction of consumption, reduces the

margin between rayon prices and wool and cotton prices, though rayon has still not risen as much as the others. The demand for rayon has been improving during the last three months, partly as a result of reductions in stocks which were considerably accelerated by enemy action, partly owing to an improvement in export trade. It is expected that the rise in prices will cause a rush for early delivery and then a lull. The Central Rayon Office, which was recently formed as a non-trading, voluntary body with the object of eliminating export competition within the trade, and of initiating export business, has already done good work in promoting exports. It has been asked by the weaving section of the industry for an increase in margins to allow for a 5 per cent. advance in wages demanded by the operatives.

Quicksilver Supplies and Prices

The Italo-Spanish mercury cartel's attempt to hold up to ransom the rest of the world has in a sense been a blessing in disguise, for the high level to which it raised prices in 1939 has provided a powerful stimulus to the production of this armament metal in other countries. In the United States, for example, the production of mercury rose from 17,991 flasks of 76 lbs. in 1938 to 18,633 flasks in 1939; in January last year output was at the rate of 21,600 flasks per annum, and in August it reached the rate of 42,000 flasks per annum. Since then the important Californian mines of New Almaden and Knoxville have been prepared for the resumption of production, while the capacity of the Bonanza Mine in Oregon has been appreciably enlarged; consequently the annual rate of production across the Atlantic is now probably no less than 48,000 flasks, compared with an annual rate of consumption of between 24,000 and 30,000 flasks. As a result of the expansion in domestic production, the United States has not only rendered herself self-sufficient, but she has even exported 8,517 flasks in the first ten months of 1940. Already in 1939 her net imports had been reduced to 2,291 flasks from 18,463 flasks in 1938. But other countries accessible to the Allies have also increased their output as a result of the rise in prices. Thus, Mexico's output in 1940 probably reached 10,000 flasks, against 7,400 flasks in 1939, while Peru has resumed production, and Canada (British Columbia) has entered the list of producers. At the moment, of course, Britain is still dependent on Spain—potentially the world's biggest producer—for some of her supplies of mercury, which is used in detonators, anti-fouling marine paint, scientific instruments and other tools of war. But the reduction in prices, from £58-£60 per flask in July to £48-£50 is an indication of the decreasing hold of the cartel on the world market.

Is Nazi Europe Short of Oil?

Pronouncements from the highest quarters still tend to encourage the belief among laymen in this country that within a matter of months the Germans will be suffering from a great and growing shortage of oil products. The implications of such a shortage would be so far-reaching that it is well worth while to re-examine the oil position of Nazi Europe on the basis of the best available information. On the question of crude oil production, it is obviously difficult to estimate how much Roumanian oil can be forced through the transport bottleneck and placed at the Axis' disposal in the near future. Though Roumanian production may possibly exceed 6 million tons this year—the 1939 figure was 6,240,000 tons—it appears extremely improbable that the quantity supplied to Nazi Europe can amount to more than 4,500,000 tons—equivalent to Roumania's export surplus in normal times. This quantity may be supplemented by crude production elsewhere, as follows:—Germany, Austria and Czecho-Slovakia 1,200,000 tons; Albania 300,000 tons, provided the Greeks do not destroy the Devoti wells; German-Poland 200,000 tons; occupied France 70,000 tons; Italy 10,000

tons. This represents a total of almost 6,800,000 tons of crude oil, or about 6,000,000 tons of finished products. The present theoretical capacity of the German coal-oil industry is probably in the neighbourhood of 3½ million tons, but it is impossible to say how much this has been reduced by the attentions of the R.A.F. On the arbitrary assumption that bomb damage will keep the equivalent of one-third of this capacity out of action, this year's output of oil from coal may be put at 2,250,000 tons. The addition of 250,000 tons of alcohol and benzole from German-occupied Europe brings the total of potential supplies to 8,500,000 tons. Imports must now be taken into account. So far as Russia is concerned, her export surplus had fallen to no more than 500,000 tons in 1939 and she is apparently still sending small quantities of oil to Sweden, Greece and perhaps other countries. On the other hand, Russia recently resumed imports from the United States, has doubtless repaired the war damage in the Galician fields and has lately taken tentative steps to reduce consumption at home. It is not impossible, therefore, that she may be able to supply the Axis Powers with 500,000 tons of oil this year. If, as there is reason to suppose, the stocks seized by the Germans in Western Europe represented a net addition of at least 1½ million tons to their own supplies, the total quantity of oil at the Axis Powers' disposal in 1941 may be as high as 10½ million tons.

Normal peace-time consumption in German Europe (excluding bunker requirements) was approximately as follows: Germany, 7 million tons; Italy, 2 millions; occupied France, Belgium, Holland, Norway, Denmark, 7½ millions; Yugoslavia and Bulgaria, ½ million. This gives a "normal" total of 17 million tons for German Europe, on the assumption that Hungary is self-supporting and that the rest of Europe must make its own arrangements for covering its requirements. To close the gap between potential supplies and consumption during the coming year would not appear to be by any means an impossible task for the Nazis. The virtual ban on private motoring—a very important consumer of petrol in Western Europe in normal times—together with drastic restrictions on the use of other products for non-essential purposes might reduce total consumption by one-third or even more, without crippling the economic life of the occupied territories. So far as oil is concerned, moreover, the collapse of Italy would improve the German position. Local shortages of certain products may well occur; but no general shortage of oil seems likely this year in German

Europe unless prolonged and large-scale military operations are undertaken or unless the R.A.F. succeeds in destroying the bulk of the German coal-oil plants, or in so disturbing transport facilities as to cause supplies, on the face of it sufficient, to be brought close to what Mr Dalton has called "the distributional minimum"—in which case there would be appreciable local shortages. In respect of oil, as of other essential materials, it remains true that victory cannot be achieved by the British blockade alone.

Enterprise on the Downs

The County War Agricultural Committee of East Sussex has magnificently refuted the accusation of insanity levelled at it by less enterprising persons, by bringing under the plough an extensive area of downland which, it was thought, nobody in their senses would tackle. Bramble thickets five feet high, gradients of one in six, gorse, thornbushes, and a variety of soil which baffled all "practical men," merely served to stimulate the inventive genius of these men of East Sussex. By a most unconventional use of chains and Fordson tractors, driven by untrained unemployed men who found the job inspiring and soon acquired skill, they extracted, roots and all, bushes which were supposed to be beyond the power of ordinary farm equipment. They then set to work with considerable ingenuity, adapting their ploughing methods to the idiosyncrasies of each individual slope, and ploughing twice in some cases, only going four inches deep the first time. Ploughing completed, the land is ringrolled, and then broken down with disc harrows. The peculiar value of their demonstration is in their use of ordinary implements for land so intractable that experts believed it impossible to reclaim it without the use of special tackle at a prohibitive cost. If the Committee is as resourceful in its subsequent cultivation as it has shown itself so far, these acres should contribute handsomely to the nation's food supply.

The Economist Trade Supplement

Paper rationing has rendered it impossible to publish the *Trade Supplement* at monthly intervals, as hitherto. The Supplement will in future be published quarterly—with the last issue of *The Economist* in March, June, September, and December. The table of statistics relating to the United Kingdom, however, will continue to be published in the last issue of each month; this week it will be found on page 133.

COMMODITY AND INDUSTRY NEWS

Cotton.—Government cloth needs are apparently satisfied for the next two or three months and home trade buyers are limited by quota restrictions to occasional purchases of specialities. Trading has therefore been confined to export requirements. These have been on a minor scale, but the freer operations for South America, especially the Argentine, have continued and steady buying has again

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended		From Aug. 1 to	
	Jan. 10, 1941	Jan. 17, 1941	Jan. 10, 1940	Jan. 17, 1941
American	10.4	25.9	649	484
Brazilian	8.4	6.7	159	17
Peruvian, etc.	3.0	2.2	106	17
Egyptian	8.2	3.8	170	17
Sudan Sakei	0.6	5.6	82	17
East Indian	1.9	9.3	145	17
Other Countries	12.9	7.1	80	17
Total	35.4	60.1	1,391	1,143

Source: Liverpool Cotton Association's Weekly Circular.

occurred for the Dominions. Recently there has been a tendency for more business to be done by British Overseas Cottons, Ltd., most of the contracts being in white shirtings for India and finishing qualities for South America. A steady flow of small orders in prints and dyed

fancies has been received from Java. Spinners of coarse yarns are becoming increasingly indifferent sellers. They do not want to commit themselves to deliveries further ahead and are uncertain of their raw cotton supplies. In the week ended January 18th, deliveries of all kinds of cotton to spinners totalled 60,133 bales of which 25,884 bales were American, a big increase on the previous week's total of 35,425 bales, of which 10,403 were American.

Wheat.—Slightly increased activity on the part of the Control offset improved crop reports from United States at first, but later Canadian prices were easier, though Australians were held.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	Jan. 4, 1941	Jan. 11, 1941	Jan. 13, 1940	Jan. 11, 1941
Argentina	129	189	12,985	6,390
Atlantic America	82	82	2,034	2,815
Danube Region	...	...	1,301	678
S. & E. Africa	...	...	2,832	1,191
Indo-China, etc.	...	...	1,413	91
Total	129	171	20,565	11,174

* Not received. † Incomplete since December 7, 1940. Source: The Corn Trade News.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Jan. 4, 1941	Jan. 11, 1941	Jan. 13, 1940	Jan. 11, 1941
N. America	247	341	10,602	8,751
Argentina, Uruguay	102	77	10,480	4,680
Australia	...	...	612	...
Russia	14	...	114	429
Danube and district	...	...	3,689	182
Other countries	...	...	842	...
Total	423	418	25,839	13,992

* Unobtainable. † Incomplete. Source: The Corn Trade News.

Rubber.—American consumption figures for 1940, at 618,000 tons, constituted a record. The market has been quiet but steady.

Metals.—There has been a further decrease in warehouse stocks of tin, presumably owing to sales to America. Stocks in London warehouses were down by 6 tons on the week to 65 tons and in Liverpool 181 tons to 4,385 tons. There was some trading activity in anticipation of the freer grant of export licenses. The Ministry of Supply has requisitioned

about 8 tons of Chinese-refined tin warehoused here.

Oils and Oilseeds.—Supplies are well maintained. Prices of controlled vegetable oils will remain unchanged until the end of the month. The outlook for supplies continues good. The Control is arranging for increased quantities of linseed and ground nuts from India, and is reported to be showing more interest in Argentine linseed. The new crop in Argentina has suffered severely from the excessive rains of late December, the damage being officially estimated as 17 per cent. This has involved a reduction in the estimated exportable surplus

which the Ministry of Agriculture puts at 1,479,000 tons compared with 1,862,000 tons in the December report and 987,000 tons a year ago. Fine weather has returned and it is hoped to complete the harvest without further setback, although there are complaints as to some deterioration of quality. The area sown with linseed in India is practically the same as last season and latest official reports are that the condition of the growing crop is fair to good. No transactions are reported in Egyptian cottonseed and Soya beans, palm kernels, and castor and rape seed are quiet and prices more or less nominal.

"THE ECONOMIST" SENSITIVE PRICE INDEX (1895=100)

	Jan. 13, 1941	Jan. 14, 1941	Jan. 15, 1941	Jan. 16, 1941	Jan. 17, 1941
Crops	105.7	105.7	105.7	105.8	105.7
Raw Materials	167.3	167.1	167.3	168.8	167.2
Complete Index	133.0	132.9	133.0	132.8	132.9

	Mar. 31, 1937*	Aug. 31, 1939	Jan. 10, 1940	Dec. 17, 1940	Jan. 10, 1941
Crops	147.9	92.2	119.5	105.1	105.8
Raw Materials	207.8	122.9	163.8	166.0	167.5
Complete Index	175.1	108.4	139.8	132.1	133.1

* Highest level reached during the 1932-37 recovery

The Royal Bank of Canada

(Incorporated in Canada in 1869 with Limited Liability)

General Statement, 30th November, 1940

LIABILITIES		ASSETS	
Capital stock paid up	20,000,000-00	Gold held in Canada	18-86
Reserve fund	3,198,146-37	Subsidiary coin held in Canada	1,740,027-54
Balance of profits carried forward as per Profit and Loss Account	23,198,146-37	Gold held elsewhere	336,173-74
Dividends unclaimed	29,000-19	Subsidiary coin held elsewhere	2,011,482-62
Dividend No. 218 (at 8% per annum), payable 1st December, 1940	700,000-00	Notes of Bank of Canada	17,066,558-25
		Deposits with Bank of Canada	65,020,125-17
		Notes of other chartered banks	774,881-70
		Government and bank notes other than Canadian	20,078,000-42
		Cheques on other banks	29,171,678-91
		Deposits with and balances due by other chartered banks in Canada	2,832-62
		Due by banks and banking correspondents elsewhere than in Canada	70,389,511-25
		Dominion and Provincial Government direct and guaranteed securities maturing within two years, not exceeding market value	201,132,212-09
		Other Dominion and Provincial Government direct and guaranteed securities, not exceeding market value	110,700,896-65
		Canadian municipal securities, not exceeding market value	7,314,592-51
		Public securities other than Canadian, not exceeding market value	9,421,620-56
		Other bonds, debentures and stocks, not exceeding market value	32,155,514-15
		Call and short (not exceeding 30 days) loans in Canada on bonds, debentures, stocks and other securities of a sufficient marketable value to cover	10,243,943-49
		Call and short (not exceeding 30 days) loans elsewhere than in Canada on bonds, debentures, stocks and other securities of a sufficient marketable value to cover	7,394,239-19
		Current loans and discounts in Canada, not otherwise included, estimated loss provided for	229,451,217-53
		Loans to Provincial Governments	999,795-25
		Loans to cities, towns, municipalities and school districts	18,374,586-54
		Current loans and discounts elsewhere than in Canada, not otherwise included, estimated loss provided for	79,277,395-82
		Non-current loans, estimated loss provided for	1,783,249-38
		Bank premises, at not more than cost, less amounts written off	14,446,007-88
		Real estate other than bank premises	2,109,633-74
		Mortgages on real estate sold by the bank	717,489-46
		Liabilities of customers under acceptances and letters of credit as per contra	18,003,678-07
		Shares of and loans to controlled companies	3,482,885-20
		Deposit with the Minister of Finance for the security of note circulation	1,340,000-00
		Other assets not included under the foregoing heads	629,889-58
			955,570,328-25

NOTE.—The assets and liabilities of The Royal Bank of Canada (France) are not included in the above General Statement.

M. W. WILSON, President and Managing Director.

AUDITORS' REPORT.

S. G. DOBSON, General Manager.

TO THE SHAREHOLDERS, THE ROYAL BANK OF CANADA:

We have examined the above Statement of Liabilities and Assets as at 30th November, 1940, with the books and accounts of The Royal Bank of Canada at Head Office and with the certified returns from the branches. We have checked the cash and the securities representing the Bank's investments held at the Head Office at the close of the fiscal year, and at various dates during the year have also checked the cash and investment securities at several of the important branches. We have obtained all the information and explanations that we have required, and in our opinion the transactions of the Bank, which have come under our notice, have been within the powers of the Bank. The above statement is in our opinion properly drawn up so as to disclose the true condition of the Bank as at 30th November, 1940, and it is as shown by the books of the Bank.

JAMES G. ROSS, C.A., of P. S. Ross & Sons
W. GARTH THOMSON, C.A., of Peat, Marwick, Mitchell & Co., } Auditors.

Montreal, Canada, December 23, 1940.

PROFIT AND LOSS ACCOUNT.

Balance of Profit and Loss Account, 30th November, 1939	\$3,096,252-21
Profits for the year ended 30th November, 1940, after providing for Dominion and Provincial Government taxes amounting to \$1,823,950-19 and after making appropriations to Contingency Reserves, out of which Reserves provision for all bad and doubtful debts has been made	3,528,894-16
APPROPRIATED AS FOLLOWS:	
Dividend No. 210 at 8% per annum	\$700,000-00
Dividend No. 211 at 8% per annum	700,000-00
Dividend No. 212 at 8% per annum	700,000-00
Dividend No. 213 at 8% per annum	700,000-00
Contribution to the Pension Fund Society	\$2,800,000-00
Appropriation for Bank Premises	325,000-00
Balance of Profit and Loss carried forward	3,198,146-37
	\$6,623,146-37

M. W. WILSON, President and Managing Director.
Montreal, December 23, 1940.

S. G. DOBSON, General Manager.

LONDON OFFICES:

Main Office:
6 LOTHBURY, E.C. 2.
E. B. McINERNEY, Manager.

West End Office: S.
2/4 CORKSPUR STREET, W. 1.
J. A. NOONAN, Manager.

COMPANY MEETINGS MIDLAND BANK LIMITED

STATEMENT BY THE CHAIRMAN, THE RIGHT HON. R. McKENNA

In view of the circumstances in which the annual meeting of shareholders is to be held, on January 30, 1941, the chairman does not propose to follow the custom of delivering a speech. In place thereof the following statement has been circulated to shareholders.

Our first concern at this moment is the war. Personal liberty, national independence, even civilisation itself, are at stake, and no sacrifice is too high a price for what victory will secure. You as shareholders of the Midland Bank will above all want to know how this great institution is facing up to the demands of war.

Last year I reported that nearly one in eight of the male personnel had joined up; to-day the proportion is one in five, and further enlistments are to be expected which will bring it to one in four. No less than 2,500 of our men are now serving in the Navy, Army and Air Force. Twenty-seven, alas! have lost their lives, and their memory will be held in honour by us all; three are missing. Six have received decorations for bravery on active service, and to them we send a special word of congratulation. The enthusiasm with which the formation of the Midland Bank Flying Club was welcomed four years ago is evidence of the air-mindedness of many of our staff. Some of our men were among the exalted few to whom so much was owed. Large numbers, both men and women, are engaged in various tasks of civil defence, thus adding other arduous duties to their daily work in the bank. The importance of this voluntary service becomes more and more evident as attacks from the air develop.

Quite apart from active service in these ways, those who carry on the business of the bank find themselves often in danger. We civilians feel honoured that in this as in no other war in our history we are able to take our share in the risks incurred by the fighting forces. Despite all difficulties—damage to premises and loss of working time through air-raid warnings, travel delays and disturbance of communications—we have been able to maintain essential services to the public with scarcely more than momentary local interruptions.

Up to date nine of our branches have been completely wrecked; eight others have been severely damaged, but repair work now in hand is enabling us to return to them shortly. A large number of other branches have suffered damage, such as broken windows, but this has caused nothing more than inconvenience. In every instance customers have found that within a very short time, and often without any delay at all, they have been able to transact business either in the damaged office itself or at some nearby branch. On occasion, too, we have received the helpful courtesy of neighbouring branches of other banks. In not a single case have safes or strong-rooms been destroyed. Anxious preparation was made for dealing with possible attack from the air, and the precautions have proved effective.

THE GROWTH OF DEPOSITS

Passing now to a consideration of the balance-sheet, a record figure is shown for current, deposit and other accounts. At £577½ millions there is an increase over the year of £81 millions. Though to a small extent the rise is due to delays in clearing, we have shared to the full in the general monetary expansion corresponding to the enlarged volume of production at a higher level of prices.

The growth of deposits has led to suggestions that the banks are making large and undue profits out of what has been described as "costless credit." But for banks such a thing as costless credit does not exist. The banks pay for all deposits placed with them, partly in interest and partly in service. Of the two forms of payment the cost of service is ordinarily much the greater, and has been substantially increased of late by difficulties arising from the war. On the other hand, what the banks have been able to earn on the additional money entrusted to them is readily ascertainable from their balance-sheets. To take our own as an example, if on the liabilities side we show an addition of £81 millions to deposits, we find on the assets side that coin, bank notes and balances at the Bank

of England have increased by £11½ millions; Treasury bills are up by £1½ millions; and, under a new head, Treasury deposit receipts appear at £67½ millions. The total of these three items, £81 millions, is precisely equal to the increase in deposits. The first item, cash, brings us in nothing; Treasury bills yield 1 per cent.; and Treasury deposit receipts 1½. In fact, on the whole £81 millions we earn rather under 1 per cent.—barely enough to cover the cost to us of the new deposits. With this in mind it will cause you no surprise that our profit for 1940 is much the same as for the previous year. The reduction shown is due to the higher rate of income tax. The bank has incurred no liability for excess profits tax.

Of our more profitable assets, advances and investments, advances have declined by no less than £32½ millions over the year. Ever since the beginning of the war the trend, apart from short interruptions, has been downward, notwithstanding the rise in prices, employment and production. In part, the fall in advances is a natural consequence of the shrinkage in the volume of many forms of business not essential for the war effort. Meanwhile, the flow of Government payments has been such as to limit the demands made upon the banks by undertakings working directly for war purposes; to this extent loans by the banks to the Government have replaced accommodation to private customers. Furthermore, war-time arrangements, especially in the form of official commodity controls, have tended to simplify the channels of trade by making them more direct, and have eliminated the services of intermediaries who used to borrow from the banks. The fall in advances is more than offset by the increase in investments, an increase which covers also the decline in trade bills. The new investment has been in three per cent. war loan and two and a half per cent. national war bonds.

Finally, we have to record a fall in our liabilities on acceptances and confirmed credits, which is obviously due to the restrictions on overseas trade. Engagements of other kinds are roughly unchanged in amount, and the volume of forward exchange transactions has again declined.

EXPENSES, PROFITS AND ALLOCATIONS

Current expenses have inevitably risen in some directions. We have felt it necessary, for example, in view of the higher cost of living, to introduce a system of grants-in-aid, taking the form in part of family allowances, by way of supplement to the salaries of lower-paid members of the staff. In order to ensure the maintenance of service to customers, moreover, we have had to make special and rather costly transport arrangements for a large number of our staff. Again, stationery is more expensive, and postal charges have been raised. These, along with war-time precautions, are the principal items which go to swell our general expenses.

On the other hand, such opportunities as we have had for making economies have not been neglected. We have been able to cut down expenses by closing a number of offices where this could be done without impairing reasonable service to customers, and we have also made further progress in mechanisation, which has been of special value at a time when clerical labour is difficult to obtain.

The net profit of £1,933,000 for the year, together with the balance of £642,000 brought forward, gives a total of £2,575,000 for disposal. Out of this we make an appropriation of £250,000 to contingent account for war damage to bank premises. The cost of repair or rebuilding cannot yet be accurately assessed, nor can the scale of the ultimate compensation to be received under the Government's scheme, now in its course through Parliament. Moreover, we cannot foresee what further damage may be sustained. Consequently, while the figure we have provided must not be taken as an estimate either of the damage already suffered or of the net charge that may ultimately fall upon the bank, we have chosen it as a tentative provision from the profit of the year against the possible extent of our losses.

In addition, we have allocated £250,000 to reserve for future contingencies. In disposing of our trading profit we must have regard to the need, imposed upon us by war developments, for

making further provision against doubtful advances. Direct war damage to customers' premises and businesses, the evacuation of many areas and restrictions on various branches of trade have put some borrowers in difficulties which are none of their own making. In all such cases of sheer misfortune we have given the utmost assistance and consideration; but the circumstances which demand this treatment do not allow us to relax in any way our own standards of judgment as to the prospects for repayment.

There remains to be considered the final dividend for the year. We propose 8 per cent. actual less tax, which, with the interim dividend already paid at the same rate, will absorb £1,435,000. This will make the total dividend for the year the same as for a number of years past. The apparent high rate of 16 per cent. has often given rise to the misconception that banks earn excessive profits. But on what is the dividend paid? It is reckoned on the paid-up capital, which by no means represents the whole capital funds in the bank owned by the shareholders. With exceptions insignificant in amount in relation to the present capital, the shares have always been issued at a premium, which has been placed to reserve. Moreover, during the hundred years and more of the bank's existence savings out of profits have been made, quite small in annual amounts, but large in the aggregate, which have led to a steady growth of the true capital funds. The yield of something over 4 per cent. on the market value of the paid-up capital more accurately represents the return the shareholder receives on his actual capital in the bank than the dividend rate of 16 per cent.

I cannot pass over without mention the temporary cutting off of our business in the Channel Islands. Happily, in the evacuation no lives were lost among the staff of the bank; moreover, we were able to remove records and valuables in more volume as to safeguard the interests of customers. We look forward to the resumption of our relations with the islands when happier days return.

I am glad to be able to report that our affiliated institutions, in common with our own bank, have helped to the full in carrying on the essential business of the nation. Particulars of the Belfast Banking Company, The Clydesdale Bank and the North of Scotland Bank all show to how large an extent, relatively to their resources, they are assisting the war effort. The Midland Bank Executor and Trustee Company performs, on a larger scale than ever, services which have become more urgent as the perils of life have increased.

MANAGEMENT AND STAFF

Surveying the course of our business over the past year, it is evident that the maintenance of unimpaired service to the public could not have been achieved but for the wise control and leadership of our chief general manager, supported by his colleagues and head office assistants and by the managers of the branches. In addition, we have enjoyed as always the co-operation of a keen and devoted staff. They have played their part with fortitude and characteristic zeal, and I am happy to say that the relations between them and the management continue to be marked by mutual understanding and loyalty. Very helpful co-operative work has been done by the Midland Bank Staff Association, an organisation entirely independent of the management and supported by the contributions of the subscribing members. Those who conduct the affairs of the Association and represent it in discussions with the management are freely elected by ballot among the members. It must be remembered that bank employees, unlike those in the great majority of occupations, are ordinarily destined to spend the whole of their working career in a single institution; they have every reason to expect a pension when they reach retiring age; and they are as deeply interested in the stability of their institution as the shareholders or the customers of the bank. It follows that their interests can best be represented by colleagues who know the inside of their own bank, are provided with confidential data by the management and can take a view both larger and longer than that of the moment. At all events, it has been found from more than twenty years of experience in our own bank that our system works well, maintaining both the strength and efficiency of the bank and the welfare of the staff. As for the immediate position, it was inevitable that the task of those who carry on the service of the bank should have been rendered more difficult by withdrawals into the forces. The gap thus created has had to be filled largely by recruiting

men and women on a temporary basis—no less than 1,100 juniors and 800 women have been taken on to the staff since the war began. The recruits have to be specially trained for their duties if they are to become useful within the short time allowed by present conditions, and to this end we are operating a number of training schools in London and provincial centres.

Whatever the war may have brought in the way of hardship or inconvenience, the course of affairs in our own branch of the national effort has demonstrated the indispensability of banking service in the life of the community. When we remember how that service has been carried on under conditions of continual danger and strain, and how typical this is of the national effort as a whole, we cannot doubt the ultimate outcome of the struggle. Alike in facing the problems of war and peace, our bank, as a company of men and women loyal to their nation as to their business undertaking, will do its work with all the accumulated strength of training and tradition.

BENGAL-NAGPUR RAILWAY COMPANY, LIMITED

The eighty-second ordinary general meeting of the Bengal-Nagpur Railway Company, Limited, was held, on the 16th instant, at Gresham House, London.

Sir Trevredyn Wynne, K.C.S.I., K.C.I.E. (chairman and managing director), who presided, said: Gentlemen, owing to the late arrival of the accounts from India, due to delay in mails, we were unable to hold the meeting until to-day.

The gross earnings for the year under review increased by nearly 153 lakhs. This resulted in the payment to us of surplus profits amounting to Rs.5,20,071 after payment of Indian income tax. At the moment we do not know what will be the company's liability to Excess Profits Tax, but negotiations are proceeding and the position is being examined for us by experts.

As you know, some of the best mineral areas are served by the Bengal-Nagpur Railway, and, up to the end of March, 1939, very low rates were charged for the carriage of materials for the steel companies. The position now is that the improvement in the company's gross receipts is mainly due to the long view policy adopted by the company 30 years ago of granting special concession rates to the steel companies for their raw materials until a time when the manufacturers of steel were in a safe position to stand on their own feet. That time having arrived this company is now benefiting from this policy, as also is India, in the active development of her natural resources.

The gross earnings from April 1 to December 31, 1940, amounted to 8 crores 77 lakhs and are 91 lakhs more than for the same period in the previous year.

The report and accounts were unanimously adopted.

BRITISH RUBBER ESTATES OF JAVA, LIMITED

DOUBLE TAXATION BURDEN

The adjourned eighth ordinary general meeting of this company was held, on the 21st instant, in London, Mr. James Davenport, chairman of the company, presiding.

In his review of the working of the year, the chairman stated that an analysis of the final figures clearly showed that the company had made progress, though the full effect of it was hidden behind a smoke screen of taxation, not only at home but in the East as well. Rubber producers were making an important contribution to the economic side of the national war effort in that the sale of their commodity produced substantial amounts of exchange required for the purchase abroad of aeroplanes and other materials of war. And apart from that question of exchange they had directly and heavily contributed to the war effort, not only in this country but also in the Netherlands Indies, through heavy taxation.

In all, export duties, the N.E.I. company tax, the difference in exchange and the debenture redemption fund had absorbed no less than £35,402, or the equivalent of nearly 5 per cent. on their share capital.

The report and accounts were unanimously adopted.

At the extraordinary general meeting which followed, the resolution in connection with the directors' further remuneration was unanimously approved, subject to an amendment that the fees should not exceed £1,500 in any year without the consent of the shareholders in general meeting.

LLOYDS BANK LIMITED

ADDRESS TO THE SHAREHOLDERS OF THE BANK BY THE CHAIRMAN,
THE RIGHT HON. LORD WARDINGTON

In order to shorten the formal business at the annual general meeting of the bank to be held on January 31, 1941, the address of the chairman (the Rt. Hon. Lord Wardington) is being posted to shareholders with the annual report and balance sheet, and reads as follows:—My Lords, Ladies and Gentlemen,—I much regret that during the past year we have suffered heavy losses through the death of several of our colleagues. Mr Charles Ker and Lord Horne died earlier in the year, and more recently Major J. W. Garton succumbed to an illness from which we much hoped he would have been able to recover.

Mr Ker had been a member of the board for many years, and had a long business experience which was of great value to his colleagues, both in this bank and also in our associated bank, the National Bank of Scotland. We all affectionately admired his sterling qualities and appreciated the valued help he gave us.

Lord Horne, associated as he was with several highly important companies and as a former Chancellor of the Exchequer, was well known to you all, and as you can readily understand we shall miss him much, not only for his wise counsel, but also for his personal qualities, which endeared him to his friends.

Major Garton came to us from the Wilts. and Dorset Bank, and ever since our amalgamation with that bank we have relied upon his thorough knowledge of affairs in the West Country. He was most regular in his attendance at our meetings and we highly valued his advice.

I must also put on record our sense of loss owing to the death of Mr W. A. Smith, a joint manager of our City office. The many letters of appreciation of his courtesy, tact and ability which we have received from grateful customers of the bank testify to the general regard in which he was held, and it is with the deepest regret that we realise we can no longer look forward to many years of invaluable and increasing help from him.

THE BALANCE SHEET

You will notice some interesting figures in the balance sheet now in your hands, which, together with the report, I shall ask you to take as read at our meeting on January 31st.

The first point to which I wish to draw your attention is the credit of £500,000 which we have placed to our published reserve fund. The latter will now appear at the figure of £10,000,000. You will remember that in 1931 we took from our published reserve fund the sum of £2,500,000 to keep in our internal funds for the protection of any depreciation of our investments. It was always the intention to replace this amount when we felt that it was no longer likely to be required. Transfers, amounting in all to £2,000,000, have already been made in 1932, 1934, 1936 and 1937, and the balance of £500,000 has now been transferred, restoring our published reserve to its former figure of £10,000,000. This last payment of £500,000 does not come from our profits—it would have been very pleasant if they had been large enough to enable us to take some for this purpose—but it represents a transfer from our investments reserve fund and leaves a substantial amount in that account, which we feel justified in believing to be more than sufficient for any probable deficiency in the future, seeing that practically all our first and second line investments are dated stocks, more than half of them with less than ten years to run.

Our current, deposit and other accounts again stand at a record figure and show an increase over last year of £57,000,000. Other banks have shown increases in like degree, and this feature in all our balance sheets is a sign of the times in which we live. It is the result of borrowing by the Government, which spends the proceeds in paying for war weapons and contracts connected with the war, and these payments come back to us from those who receive them and are deposited in their banking accounts.

When we come to the other side of our balance sheet you will see how we have employed the increased amount deposited with us.

The last two items of our liabilities—acceptances, endorse-

ments, etc.—show a natural decline, due to the fall in international business.

On the assets side our cash has increased by £14,400,000 and our balances with, and cheques in course of collection on, other banks by £1,308,000, another sign of the times and the result of delays in postal delivery.

Our money at call and short notice has decreased by £8,000,000 and our bills by £29,000,000, while our investments in Government securities have increased by £27,000,000, and, in addition, we have lent to the Government £65,500,000 on what is called Treasury Deposit Receipts.

In other words, the whole of our real increase in deposits (allowance having been made for the swollen volume of uncleared cheques) has been lent to the Government.

THE BANKS' WAR EFFORT

It is possible to go further than this and to say that practically the whole of the deposits held by the clearing banks is applied directly or indirectly toward the war effort of the nation. The final figures for the year are not yet available, but the November figures show that of the total deposits of £2,701,000,000, £285,000,000 were kept in cash and balances at the Bank of England to meet the currency requirements of the public. Stocks of currency have been increased and redistributed by the banks through their network of branches, so as to ensure that there shall be no failure in the supply of currency to the public in any emergency.

£389,000,000 were represented by Bills, which, in these days, are mainly Treasury Bills, and are therefore direct advances to the Government, and a further £236,000,000 have been advanced to the Government in the form of Treasury Deposit Receipts.

£140,000,000 were lent to the money market against Treasury Bills and British Government bonds.

The investments of the banks amounted to £786,000,000, and probably £600,000,000 of this were in British Government securities.

Of the banks' advances to customers, £941,000,000, it may be said to-day that by far the greater part is lent for war purposes and other public needs—i.e., to Government contractors and sub-contractors for armament work, to public authorities, public utility companies and farmers, and for other essential purposes, such as the finance of our import and export trade and the manufacture of essential civilian commodities.

It is the policy of the banks to ensure that no essential war activity of the nation shall be hindered by any financial difficulty, and that there shall be no interruption in the continued flow of armament work through any lack of finance. War time activities have called for extended credit to borrowers in many directions; to the direct producers of armament work for the Government and to their sub-contractors; to farmers for the ploughing up and cultivation of extra land; to food distributors for the holding of larger stocks; to merchants and manufacturers engaged in our export trade; to public authorities; and in numerous other ways. No single request or suggestion by any Minister of the Crown or Government Department in connection with the provision of war time credit has been otherwise than willingly responded to or actually anticipated by us.

It is a tribute to the manner in which the banks conduct their business that they have been able to supply all the additional accommodation required for war work and at the same time to lend large additional sums to the Government without in any way impairing but rather strengthening their liquidity. They have of course only been able to do this through the additional credit created by the Government and by restricting advances for non-essential purposes. This has given rise in some cases to complaints of undue hardship, and it is right to make it clear that anyone who has been asked to repay a pre-war advance, and to sell securities to do so, has the right to appeal to the Courts under the Emergency Powers Act, 1939, for relief if suffering from war time conditions.

Every encouragement has been given by the banks to the War Savings movement. Posters and literature have been

PROFIT AND LOSS ACCOUNT

We now come to our profit and loss account. The net profit brought in at the figure of £1,383,807 is somewhat lower than that of last year, but I think we can congratulate ourselves that it is not lower still. When you consider the unprecedented times in which we have been living during the last year with its many extraordinary expenses, its heavily increased taxation, the serious curtailment of our usually most profitable assets, and with many of our normal activities in abeyance, I feel that the result is better than we might have expected.

I have already referred to the drop in our advances and our bills, while our commissions, especially those connected with underwriting and acceptances, have either wholly disappeared or been largely reduced.

On the other hand, our greatly increased investment figure has resulted in larger dividends, which helped to offset the decline in revenue earning capacity shown by some of our other assets. The income from Treasury Deposit Receipts—a new item in our balance-sheet—also goes to counteract the loss of revenue in other respects, and I am glad to say that in spite of the troubles that have befallen so many of our smaller trading and shop-keeping customers, the provision required for bad or doubtful accounts has been comparatively light.

HEAVY ABNORMAL EXPENSES

On the expenditure side we have been severely hit from many quarters. Our staff has been greatly increased, because, as I think you know, we keep all those serving in the Forces on our books and have so far continued to pay their salaries, less their service pay and allowances, while we have to pay the salaries of 4,521 new staff. In addition to this, greatly increased expenditure has been incurred by the exigencies of the service in these abnormal times. Expenses of moving men from their houses; grants in aid on account of the higher cost of living; the decentralisation of much of our business; the duplication of records; heavy A.R.P. expenses; all these and many other factors have brought up our expenditure total to a wholly unprecedented figure.

I confess I am agreeably surprised by the size of our total net figure, and I trust that you will regard it as satisfactory. If you read a recent financial article in the Press, and believed it, you may be disappointed. The writer, by some process of reasoning which he did not fully explain, estimated that bank profits would be up by 50 per cent. He rightly pointed out that our assets had largely increased, although he took the figures as at a particular date and disregarded the average through the year, but was quite wrong in estimating that we would be able to obtain a 2 per cent. return from them, or a net 1½ per cent. after allowing for interest granted on our increased deposits. He ignored the fact that a large proportion of this increase—I estimate that for the "Big Five" banks alone, in November it amounted to £72,000,000—found its counterpart in cheques in course of collection and items in transit, neither of which earn any interest at all. A further 10 per cent. has to be kept in cash, which of course earns nothing; while the other unsatisfactory features, which I have already mentioned, he dismisses with a casual caution that some small deductions must be made to allow for smaller earnings on other assets, while no allowance is made for increased expenditure. It is a queer kind of accountancy which estimates its profits on the earnings of the more remunerative assets only, and takes little or no account of anything else, including greatly increased expenditure.

I am satisfied that owing to the cheap money policy of His Majesty's Government, and to heavy increased working expenses, the banks are not earning any excess profits, and I would further remind you that if they did the whole of the amount would be handed over to the Government.

THE STAFF

I cannot conclude without saying a very special word about the staff. They have been living and working in similar conditions of danger and discomfort common to many other people, and with a readiness to put up with these hardships unsurpassed by any other body of men and women. Many of our buildings have been damaged in some degree—mostly by broken windows—and a few have been destroyed for the time being.

prominently displayed in their offices; they have reduced the rate of interest which they allow on deposits with the object of encouraging subscriptions to the issue of 2½ per cent. National War Bonds; and the maximum amount which may be held in a Savings Bank account at the special rate of interest allowed to such depositors has been reduced to encourage the purchase of National Savings Certificates and 8 per cent. Defence Bonds. The Banks have given every possible assistance to the War Weapons Weeks which are being held throughout the country and have themselves made investments to supplement the splendid local efforts.

The whole of the intricate and difficult work of a special character in connection with foreign exchange which has arisen since the outbreak of war has been conducted on behalf of the Government through the medium of the banks in a wholly admirable manner.

I am not giving these facts and figures in any spirit of complacency, or with any desire to blow a bankers' trumpet. Bankers are not perfect and no doubt are guilty of sins both of omission and commission from time to time, but that they are sincerely anxious to do their utmost to help the nation's cause, particularly in this time of anxiety and stress, I think there can be no reasonable doubt. This feeling permeates their ranks right through from the lowest to the highest. It is humiliating therefore to find a noisy few amongst the public, who, from their position in literature, politics, or finance, should be able to guide and instruct others, yet, nevertheless, either from ignorance or prejudice, never let an opportunity pass of trying to belittle the efforts of banks, to curtail their profits, or misrepresent the facts. I can think of nothing which would please Hitler more than the success of these gentlemen who appear to be trying to undermine the confidence which in this country is generally, and I believe rightly, given to the banks. A strong and prosperous banking system, at all times highly desirable, is more than doubly so in war time.

THE BALANCE SHEET (continued)

To return to the figures of our balance-sheet. Our Scottish subsidiary, The National Bank of Scotland Limited, shows a position of increased strength and usefulness, and we congratulate them and ourselves on their latest satisfactory balance-sheet.

Of Lloyds and National Provincial Foreign Bank Limited I cannot give you any detailed information, so many of their branches being in enemy occupied territory or in places with which we are not able to communicate, but we have every reason to suppose that their capital, which is in sterling, is intact.

We next come to our advances. These are smaller both actually and relatively than they were last year, and perhaps it is permissible for me to point out that it has appeared to us particularly desirable at the present time to follow the advice of the Cunliffe Committee, and separate items in transit from advances. Unless this is done the swollen figure is apt to be misleading.

I was myself surprised to find this reduction in the amount of our advances. I had thought that the demands upon us for assistance in meeting higher taxes, and in increasing trade activity in war production would have had an opposite effect. I had not sufficiently foreseen to what a large extent peace time banking would come to a stop with the outbreak of war, nor had I realised the various restrictions on borrowing by municipal and other public authorities, nor the extent to which Government itself would finance the purchase of commodities and war work generally. From the point of view of the bank and its profit earning capacity this is to be regretted, itself and its profit earning capacity of its assets, and I think as advances are the most profitable of its assets, and I think anyone would have been surprised a couple of years ago if he had been told that to-day the percentages of our advances and investments to deposits would be practically identical.

I ought perhaps on this occasion to make a reference to our bank premises account, which has been reduced not only by the £100,000 specially allocated out of profits and the proper annual amount for the amortisation of leaseholds, but also by the transfer to other assets and accounts of the value of certain branch premises damaged by enemy action, against which, presumably, we shall have claims for compensation under the War Damage Bill when it becomes law.

This often entails working in draughty, cold, and dark extemporised quarters, accompanied in many cases with similar troubles in their own homes, but without resulting in the slightest diminution in their determination to see that essential services shall be carried on, and without a word of complaint except against the author of these discomforts. It is indeed an inspiring sight to see the countless numbers of young and

old, of both sexes, throughout the country, coming to, or going from, or at their work, cheerful, uncomplaining, and determined. If it has always been right to send them a message of encouragement and admiration, it is more than ever our grateful duty now, and I would like our meeting of shareholders to pass a very special vote of thanks for their services during one of the most trying years of our existence.

NATIONAL PROVINCIAL BANK LIMITED

Statement by the chairman, Colin Frederick Campbell, Esq., relating to the accounts to be submitted to the 108th annual general meeting to be held at the Head Office, 15 Bishopsgate, London, E.C. 2, on Thursday, January 30, 1941.

I am taking the unusual course of sending my observations on the accounts with the report and balance-sheet as at December 31, 1940.

So many of our shareholders are engaged on important Government work and others may find travelling to the City inconvenient that I hope this change will commend itself to all.

At the annual meeting on January 30, 1941, only the necessary business will be transacted and no further comments will be made by me as chairman.

Before dealing with the ordinary affairs of the bank, it is with much regret that I have to report that during last year we lost the services through death of our esteemed colleague, Sir Alfred Lewis, who died on February 21. For a number of years Sir Alfred Lewis occupied the position of chief general manager and later he was elected a director of the bank and finally became a deputy chairman. Sir Alfred rendered valuable services to the bank and gave to it a full measure of ability and experience.

I also have to report the deaths of two of our local directors who were much attached to the bank throughout a long period of time, Sir Prince Prince-Smith, Bart., who died on July 2nd, and Mr D. A. Aubert, who died on June 30th.

THE STATEMENT OF ACCOUNTS CURRENT, DEPOSIT AND OTHER ACCOUNTS

There have been notable changes in a number of items in the balance-sheet. At £380 millions deposits show an increase of £44 millions compared with a year ago and now stand at a record high level. Our experience in this respect is shared by the other great banks and the general expansion is due to the increased volume of Government borrowing and expenditure for war purposes.

BILLS DISCOUNTED, TREASURY DEPOSIT RECEIPTS, INVESTMENTS

As is well known, the portfolio of bills discounted, which shows a reduction of £12 millions, has for many years consisted largely of British Government Treasury Bills.

A new item in the balance-sheet is Treasury Deposit Receipts, of which we hold at present £31 millions. The advantage of this method of borrowing by the Government is that it places a check on any undue increase in the floating debt through Treasury Bills.

In view of the substantial increase of funds at our disposal, represented by deposits, we have augmented the bank's investments by no less than £38 millions. Practically the whole of the investments are British Government direct liabilities, and I can say again that a large proportion of our holding is redeemable within a few years.

The total of the above three items amounts to the very substantial sum of £192 millions, or 50.6 per cent. of our customers' deposits, and is a complete answer to those who sometimes ask rather thoughtlessly what banks are doing to help towards financing the war. In addition to this direct support of the National Finances, our money at call and short notice which stands at over £19 millions is nearly all lent to the market to assist in carrying British Government Treasury Bills.

ADVANCES

Our main earning asset, advances to customers, shows a reduction of nearly £20 millions compared with the year-end

1939, and now represents only 31.3 per cent. of deposits as against 41.4 per cent. Banks generally have witnessed a diminution of advances during the year and in the case of this bank nearly all classes of loans have contributed to the decline.

Owing to the control exercised by the Government in various commodity markets, the accommodation which we have been in the habit of extending to merchants in connection with the importing and holding of stocks is no longer required.

Another factor is the cessation of ordinary activities in certain trades, such as those normally engaged in building and estate development.

In addition there are, of course, the restrictions imposed by H.M. Treasury on borrowings by private individuals. These restrictions have been freely accepted by the banks and their customers as being in the national interest.

On the other hand, as a partial offset to these decreases we have lent substantial sums of money to those engaged in the production of armaments and to other industrialists whose businesses play an important part in our war effort. Indeed, we may say that during the past year our fresh advances have been almost entirely confined to purposes connected with the prosecution of the war. The needs of agriculture have figured rather prominently in the public Press and in this matter special steps were taken by the banks so that no farmer who is in any way credit-worthy could say that his farming operations had been hindered through want of financial facilities on reasonable terms.

These and other factors may be expected to persist throughout the period of the war, but after the war there is little doubt that we shall be called upon to play an important part in financing the change over of the vast industrial machine from war-time to peace conditions.

Our branch offices in the Channel Islands have unfortunately ceased to function, so far as their association with us is concerned, since the occupation of the islands by the Germans, and our sympathy goes out very sincerely to our friends there in the distressing circumstances in which they are placed. We are doing all that is possible to safeguard our interests there and we have made such provision as we think necessary in view of the present situation. We can only assure our friends that we look forward to the day when we shall be able to resume our relations with them.

With one exception, the remaining items in the balance-sheet call for no special comment. This exception is our holding of 50 per cent. of the capital in Lloyds and National Provincial Foreign Bank, which has carried on a business in England, France, Belgium and Switzerland for a number of years. It may be remembered that the bank was started by Lloyds Bank in 1911 and we joined them in 1917 by taking a 50 per cent. interest in its capital. We have no information as to the procedure now being adopted by the Germans in regard both to the assets and liabilities of the bank in France and Belgium, but I may say that inasmuch as the capital of the bank is held in London in sterling, there is no reason for thinking that this, at any rate, is not intact. Consequently our share holding is taken at par in the balance-sheet.

PROFIT AND LOSS ACCOUNT: DIVIDEND

The statement of profit and loss discloses a profit of £1,697,538, which is less by £21,445 than the profit we were able to earn in 1939. Having in mind the heavy expenses we have had to meet in many directions, notably those occasioned by the migration of our customers' businesses and continued A.R.P. expenditure, I think it will be agreed that the result is a great deal better than might well have been expected.

At this stage it is not possible to comment with any degree of certainty on the effects of the War Damage Bill, which as

yet has not become law. It is an extensive and somewhat complex measure, but the principle of affording protection to the owners of properties of all classes is one which will be generally welcomed. The bank will be affected from more than one angle and the contributions which we shall be called upon to make under the scheme will be substantial in amount.

The dividend is at the rate of 15 per cent., being the same as for several years past. It will be noticed also that £100,000 is transferred to premises account and £150,000 to pension fund.

THE BANK'S OPERATIONS

In common with other industries the banks have experienced inconveniences and difficulties in maintaining their services during 1940. A year ago I made reference to plans we had made before the war to meet possible eventualities, and mentioned that all the banks had agreed to co-operate in rendering mutual assistance should the need arise. We acknowledge with gratitude timely assistance afforded us by other institutions, and are glad that we have been able on occasion to give help to others. The arrangements made in advance have been fully justified by our experiences of last year, and I am happy to be able to tell you that although a number of branches have suffered more or less serious damage from enemy action, we have been able to give virtually uninterrupted service to our customers.

WORK OF THE STAFF

The work of the management and staff calls for very special mention by me. However perfect schemes for the future may be, their successful execution depends entirely on those individuals charged with the responsibility of carrying them out properly, and from this point of view the manner in which extra burdens were cheerfully assumed by one and all has been beyond praise. In addition to the day's work—often after a tedious journey to and from the office—large numbers of the staff up and down the country give unstinted voluntary service to the bank and to the community, in A.R.P. work, Home Guard, Special Constabulary, Nursing, Ambulance, Fire Watching and other services. Their strength of purpose is derived from their appreciation that banking services form a vital section of the nation's war economy and they share the determination of the nation to play a full part in defeating the enemy.

As anticipated, our permanent staff has been further depleted owing to the requirements of the military authorities, and we now have approximately 2,000, or about 28 per cent., of our pre-war male staff serving in the armed forces. Shareholders will be interested to know that over 360 of this number hold commissioned rank and that one D.S.C., two M.C.s, one D.F.C. and one M.M. have already been gained. I much regret to say that there have been casualties, both among the service and civilian members of the staff, but the number of those killed by enemy action is relatively small. The loss of experienced men has also thrown a heavy burden on those who remain with us and on the staff of both sexes who are temporarily filling vacancies.

THE OUTLOOK

As we look back on the course of events in our country during 1940, we recognise that it was a year of grievous trials successively endured, of mistakes rectified, and of unshaken faith in the final triumph of our cause. The progress of military events during 1941 lies beyond our present knowledge, but it would be prudent for us to assume that whatever successes our arms achieve, our qualities as a people may be more materials thus liberated devoted to war ends.

Notable progress has undoubtedly been made in switching over the nation's economy to production for war, but much remains to be done before we can be satisfied that we are putting forth our maximum war effort. Consumption of goods for civilian use will be cut still further and the labour and materials thus liberated devoted to war ends.

The urgency of increasing our export trade, particularly with the United States of America, will continue in an ever-increasing degree. The people of that great country are rendering us magnificent help in our struggle and the recent declarations of policy made by the President of the United States are of the utmost value and importance.

NATIONAL DISCOUNT COMPANY, LIMITED

SUCCESS OF GOVERNMENT'S LOAN POLICY

SIR SIGISMUND F. MENDEL'S SPEECH

The ordinary annual general meeting of the National Discount Company, Limited, was held on the 22nd instant at 35 Cornhill, E.C.

Sir Sigismund F. Mendl, K.B.E. (chairman of the company), who presided, said: You will probably expect a few words from me on the general situation of the money and discount market during the last year, and the method in which the Government has dealt with the financial problems created by the war.

TREASURY BORROWING

The salient feature of the Treasury's policy during the whole of that period has very naturally been to avoid the mistakes made in the four war years 1914-1918, during which Treasury borrowings were effected at an ever increasing cost to the taxpayer, with the attendant evil of a considerable measure of inflation. This time, whatever else may be criticised, the Chancellor of the Exchequer may be congratulated on the success of his loan policy in obtaining his money at low interest rates from the various classes of investors to whom he has appealed, and at having so far kept in check the tendency to inflation arising from the increased spending power created by huge Government war expenditure.

The various methods by which money has been raised during the year 1940 have been so widely made known, as well as the magnificent totals achieved, that no particular reference to the details is called for except in the case of 4½ per cent. Conversion Loan, 1940-44. In January, 1940, the Government offered conversion to the holders of 4½ per cent. Conversion Loan, which they gave notice to repay on July 1st, into a new 2 per cent. Conversion Loan, 1943-45, at par. The money market was a large holder of the 4½ per cent. loan, and as it was desirous of giving the Government all assistance in making a success of the conversion operation, it converted its entire holdings into the new loan. It may be pointed out that, by its action, the market suffered a reduction in income from a considerable portion of its investments. The operation was a success—nearly three-quarters of the repaid loan being converted.

A NEW FEATURE

A new feature of interest to the market during the year was the plan by which the Treasury would borrow the surpluses of the bankers' deposits at Bank of England at a rate of 1½ per cent. for six months. By this method the Treasury would obtain the additional finance required to meet current expenditure, as an alternative to increasing the outstanding volume of Treasury Bills. Undue disturbance to the market can thus be avoided, for by this procedure the Treasury is able closely to estimate its weekly requirements, which are subject to wide fluctuations, due to the uneven spread throughout the year, of the receipt of revenue.

It must be recognised that in no sense can those lending their resources to the Government be accused of taking advantage of the national emergency to profiteer. The various methods of financing the war have resulted in a considerable increase in the floating debt, and it appears that a funding operation may be required unless there are very considerable subscriptions to the new 2½ per cent. National War Bonds and 3 per cent. Savings Bonds.

The year's taxation receipts and the public subscriptions to the various loans will, however, fall short of total Government expenditure, and it would, therefore, seem that a considerable increase in taxation in subsequent Budgets is inevitable, and that the banking system will be called upon to create an increasing amount of money for Government account.

THE YEAR'S RESULTS

Turning to profit and loss, after making provision for taxation, which includes national defence contribution tax, and providing for all contingencies, our gross profit stands at

£242,601, a reduction of £14,507 on last year's figures. The rate of money and discount during the year has been stabilised since the month of January and the margin has been the small one of $\frac{1}{2}$ per cent. per annum, and in view of the increase in the rate of income tax to 8s. 6d. during the year I think we may consider this result quite satisfactory. The expenses of management show a reduction of £7,297. I pointed out to you last year when this figure showed an increase that there were non-recurring expenses included. Our premises sustained some small damage from enemy action. We have made full provision in the expenses, which, however, are recoverable, to cover the cost of the necessary repairs, and our architects advise us that no structural damage has been done to the building.

With regard to the balance-sheet, the total is an increase by £2½ million over the previous year's figures, and now amounts to over £56 million. The reserve fund has been increased by £100,000 and now stands at £1,250,000. Deposits and other accounts amount to nearly £50 million, being £6 million more than last year. Bills re-discounted have declined by £3½ million. This decrease is attributable to the cessation during the year

of trade between ourselves and the European countries which have been overrun by Germany. On the assets side of the balance-sheet, cash at bankers shows a slight increase. Investments at £18½ million are higher by nearly £13 million. As mentioned on previous occasions our investments are all of a short-dated currency, and for the presentation of the accounts they are included when approaching maturity in the item of "Bills and Short Bonds Discounted." As I have already told you, we were holders of a considerable amount of $\frac{1}{2}$ per cent. Conversion Loan which matured on July 1st last, and which we converted into the new 2 per cent. Conversion Loan, 1943-45. This holding was previously in the total of "Bills, etc.," but has now been included under the heading of "Investments," and this accounts mainly for the increase in that item. The total of bills and short-dated bonds is lower by £10½ million, and this reduction is mainly due to the transfer which I have just explained to you. I may here remark that the actual value of our investments is somewhat greater than that shown in the balance-sheet.

The report and accounts were unanimously adopted.

WESTMINSTER BANK LIMITED

STATEMENT BY THE HON. RUPERT E. BECKETT

The annual ordinary general meeting of Westminster Bank Limited will be held at the head office, 41, Lothbury, E.C.2, on Wednesday, January 29, 1941, and the procedure this year has been slightly altered. The chairman of the bank, the Hon. Rupert E. Beckett, has issued a statement to shareholders, which takes the place of the usual address made by the chairman at the actual meeting, and which reads as follows:

In view of the official request to the public to refrain from unnecessary travel at the present time, it is anticipated that the attendance at our annual ordinary general meeting will this year be smaller than usual. I have therefore decided to give shareholders the information to which they are entitled as to the year's accounts of Westminster Bank Limited in the form of this printed statement, accompanying the balance-sheet, and sent out prior to the date of the meeting. This will take the place of the oral statement usually made by me as chairman at the meeting and subsequently circulated in print. The proceedings at the meeting will therefore be confined to the submission to shareholders present of the customary resolutions, and to any discussion arising thereon.

In August last, our senior director and esteemed colleague, Sir Arthur Stanley, felt compelled to resign his seat on the board. He was appointed a director of Parr's Bank in 1902, and for close upon 40 years he served that institution and, later, Westminster Bank, giving regular and devoted service, in spite of indifferent health. We are grateful to him for the work he so ably performed. The New Year Honours List included the name of our co-director and chief general manager, Charles Lidbury, upon whom a knighthood has been conferred, and it is a matter of gratification to us in this bank which he so ably serves that such a signal honour should have been conferred upon our chief executive officer.

INFLUENCING FACTORS

Before commenting on the figures of our balance-sheet, I will briefly refer to the main factors which have been at work in influencing their course. The banks, in common with every other form of national activity, have had to adapt themselves to the great changes brought about by the war in the country's economic life, which is being designedly controlled as regards both financial and productive resources to ensure the maximum war effort in every direction. This has largely influenced the course of banking, but other major changes, such as the decentralisation of business and the evacuation of large groups of the population, have also played important parts.

The dominating factor of the banking year is to be found in the magnitude and acceleration of the nation's extraordinary wartime expenditure, which is readily seen from the following figures. During the first quarter of last year, the total Governmental expenditure averaged approximately £7 millions a day and rose in the second quarter to £7½ millions. By the third

quarter it had reached an average daily figure of £10 millions, and in the last quarter £12 millions. During the second half of the year, the war effort was greatly intensified, and as an index of the speeding-up of the war machine the rising rate of expenditure is, of course, satisfactory. It is unlikely that the peak point has yet been reached, and further increases seem certain. The payments out of the Exchequer for the 16 months of war to December 31, 1940, total no less than £4,011 millions, which has been found as to £1,515 millions from taxation and as to £2,496 millions from net borrowing. Of this increased borrowing, £1,459 millions was provided by a net increase of the "Floating Debt," including Ways and Means Advances, Treasury Bills and Treasury Deposit Receipts—the increase in the "Tender" Treasury Bills and Treasury Deposit Receipts being £683 millions.

INCREASED DEPOSITS

In the 15 months (end August, 1939, to end November, 1940) the deposits of the clearing banks have increased by £487 millions, but more than £100 millions of this increase arises from the changed methods of clearing and the effects of postal delays upon those clearing methods. The effective increase in clearing bank deposits during the 15 months from the end of August, 1939, to the end of November, 1940, is therefore in the neighbourhood of £300/330 millions and at the rate of 14 per cent. upon the pre-war deposits of the clearing banks.

Increases in banking deposits of this magnitude and character are unwelcome: the proper home for increased savings and increased resources of this character created in wartime by the extraordinary disbursements of Government is their direct return to Government in the form of subscriptions to the various Government loans by the persons who have the increased resources placed at their disposal by virtue of such Government disbursements. It is far preferable that this process of direct lending to the State should be expanded than that a large increase in banking deposits should occur, although it is true that such increased deposits would find their way back to the Treasury by one or other of the various means by which the resources of the banks are made available to the Government.

The re-lending by the banks to the State of the increased wartime banking deposits entirely, or even mainly, in the form of long- or medium-term issues has been recognised as undesirable; hence the creation of the Treasury Deposit Receipts which now figure in bank balance-sheets to such a material extent, and in our own accounts as at December 31, 1940, show as a new item of £50 millions.

During the last war and commencing from March, 1915, clearing banks made special deposits with the Bank of England and continued to do so until the end of 1919. These special wartime deposits carried the rates of interest which were then thought appropriate, and were held at seven days' notice and at three days' notice.

TREASURY DEPOSIT RECEIPTS

On this present occasion a far better system has been instituted by the Treasury to deal with the incidence of increased banking deposits. Treasury Deposit Receipts, which are non-negotiable, are issued to the banks. They carry the low rate of interest of one and one-eighth per cent. per annum, have a normal usance of six months, and can be used by the banks to pay for the subscriptions of their customers or those made on their own account to any public issue of H.M. Government other than Treasury Bills. They carry with them the added virtue of liquidity, as repayment can be obtained under discount at Bank Rate if the proceeds are at any time needed by a bank for emergency use. Thus this new type of non-negotiable security provides at one and the same time a convenient and cheap means of borrowing for H.M. Government, a desirable addition to the liquidity resources of the banks, and a method whereby the increased deposits of banks may, upon their conversion into new issues of Government loans, be transferred with the minimum of inconvenience.

The effect of the impact of war upon the resources of our own bank and upon the disposition of our assets, and the increasing degree to which our resources are being harnessed and utilised for the purposes of the national war effort are

with other clearing banks, Westminster Bank has its appointed representatives available to attend, for consultation on credit matters, meetings of the various War Agricultural Committees set up to assist in securing the maximum wartime agricultural production.

It is thus evident to what great extent the resources of the bank are employed for purposes of the nation.

PROFIT AND ALLOCATIONS

After providing for rebate and taxation, and appropriations to the credit of contingency accounts (out of which full provision for bad and doubtful debts has been made), the net profit for the past year amounts to £1,310,629, which is £165,115 less than last year's figure. This result has been achieved in a year of great vicissitudes, and can be regarded as satisfactory. It enables us to make the accustomed allocations for dividend purposes, to transfer £300,000 to officers' pension fund and £100,000 to bank premises, as last year, and to increase the carry-forward from £584,006 to £551,129.

With regard to our foreign auxiliary, Westminster Foreign Bank Limited, as a result of events in Belgium and France all its branches are now in enemy territory within the meaning of the Trading with the Enemy Act, 1939, including even Lyons and Marseilles in unoccupied France. With one exception, all

Item	1938		1939		1940		Changes between 1939 and 1940	
	£ millions	Ratio to Deposit Liabilities	£ millions	Ratio to Deposit Liabilities	£ millions	Ratio to Deposit Liabilities	£ millions	£ millions
Deposit Liabilities	346.2	%	366.4	%	410.1	%	43.7	—
Cash and Balances with Bank of England	37.0	10.71	37.6	10.27	45.4	11.09	7.8	—
Balances with and cheques in course of collection on other Banks	12.7	3.68	16.3	4.45	18.4	4.48	2.1	—
Money at Call and Short Notice Bills Discounted	20.8	6.01	34.0	9.29	28.6	6.97	—	5.4
Treasury Deposit Receipts	40.9	11.82	45.1	12.32	34.6	8.43	—	10.5
Total of Liquidity items	111.4	—	133.0	—	177.0	—	44.0	—
Ratio of Liquidity items to total Deposit Liabilities	32.22%	—	36.33%	—	43.16%	—	—	—
Advances	134.1	38.74	141.4	38.60	134.5	32.80	—	6.9
Investments:—								
(a) British Government	110.2	31.84	100.2	27.38	107.2	26.13	7.0	—
(b) Others including those in subsidiaries	4.9	1.42	6.0	1.64	5.5	1.34	—	0.5

well illustrated by the figures in the balance-sheet which accompanies this statement and by the following comparative statement of items from the bank's accounts as at December 31st in each of the past three years.

Our deposits at £410 millions show an increase of 12 per cent. on the year. The combined items of cash, balances with the Bank of England and with other banks, and cheques in course of collection on other banks, total nearly £84 millions. Out of the remaining £346 millions, our funds employed almost directly on Government account include:

	millions £
Money at call and short notice (advances almost entirely against British Government Treasury Bills)	28.6
Bills discounted (almost entirely Treasury Bills)	34.6
Treasury Deposit Receipts	50.0
Investments in British Government Securities	107.2

which together total £220.4 millions and represent 63 per cent. of the £346 millions already referred to. Moreover, a large and increasing proportion of our advances to customers, and indeed new advances practically without exception, provide assistance for contractors engaged on Government account, for agriculture, or for other activities vital to the war effort. Here I may mention that, in common

the British members of the staff managed to escape to this country, not without thrilling experiences, but the branches were all left in charge of an experienced and trustworthy staff of Belgian or French nationality, well able to protect our interests in so far as they may be so permitted. All the repatriated staff have, of course, been given employment with the parent bank. As the branches are now all in enemy territory, or territory so regarded, up-to-date statistical information cannot be obtained from them. A very conservative policy has, however, always been followed in connection with the finance and accounts of these branches. For many years past, profits have not been distributed, and both when war threatened and after its actual outbreak a high state of liquidity was maintained. Loans and overdrafts were scrutinised with special care, bearing always in mind the likely effect of war upon the ability of borrowers to repay their indebtedness. This conservative policy should go far to minimise any adverse effects of the impact of war on the business.

The figures of our affiliate, Ulster Bank Limited, show over the year a steady increase of deposits (£22,592,542, against £21,143,766) and a decrease in lendings (£8,601,252, against £9,277,460). The trading result, at £184,616, shows a decrease of £24,682 on that for 1939, due to increased overhead charges, coupled with decreased income from lendings and lower employment rates. Though prudence has dictated a somewhat reduced dividend distribution, I am pleased to report that the business remains healthily sound and progressive.

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

SATISFACTORY RESULTS—BOARD'S DIVIDEND POLICY

SIR HUGO CUNLIFFE-OWEN'S ADDRESS

The thirty-eighth annual general meeting of British-American Tobacco Company, Limited, was held, on the 20th ultimo, at 7 Millbank, London, Sir Hugo Cunliffe-Owen, Bt., the chairman, presiding.

The chairman, in the course of his speech, said: Taking the assets side of the balance-sheet first, you will observe that the item of real estate and buildings at cost less provision for amortisation of leaseholds, £835,499, shows a small increase of £7,149. Plant, machinery, furniture and fittings, at cost or under, £598,155, shows a net increase of £9,580. Goodwill, trade marks and patents at cost less sales remain at the same figure as last year, viz., £200,000. As I have pointed out in previous years, this is purely a nominal valuation and is very much below their actual value.

Investments in shares and bonds in subsidiary companies at cost or under amount to £29,257,791, showing an increase of £1,647,538, and loans and current accounts with subsidiary companies amount to £5,217,699, showing a decrease of £429,095. These items total £34,475,490, which shows an increase of £1,218,443 over the same items in last year's balance-sheet.

As you will see, there has been some reduction in loans and accounts current with subsidiary companies. There has, however, been a substantial increase in investments in shares and bonds in subsidiary companies. This is partly due to the acquisition during the year of additional shares in one of your company's associated companies. This acquisition having given your company a majority of shares, this company (previously an associated company) had to be reclassified as a subsidiary company, thus necessitating a transfer from "investments in shares and bonds in associated companies."

Investments, at cost or under, in shares and bonds of associated companies amount to £2,845,330, showing a decrease of £1,092,389, and loans and current accounts with associated companies amount to £1,846,002, showing a decrease of £108,252. These items total £4,691,332, which shows a decrease of £1,200,641 compared with the corresponding figure in last year's balance-sheet. This reduction is chiefly due to the transfer to "investments in shares and bonds in subsidiary companies" to which I have referred. Other investments, £2,020, stand at approximately the same figure as last year.

Stocks of leaf, manufactured goods and materials, at cost or under, now stand at £5,148,664, an increase of £365,362.

CASH AT BANKERS, IN TRANSIT AND AT CALL

Cash at bankers, in transit and at call, £3,391,920, as compared with £5,399,298 under this heading last year, shows a decrease of £2,007,378. During the year under review, some subsidiary companies have required additional funds, and your company has repaid a substantial proportion of deposits by these subsidiary companies. With a view to assisting the Government in providing funds required for war purposes, your company has paid taxes amounting to £2,000,000 in advance of the due date.

In addition, our subsidiary and associated companies in this country have made substantial investments in War Loan.

In the opinion of your directors your company's cash balance is now no larger than is necessary for the efficient conduct of the business.

PROFIT AND LOSS ACCOUNT

This account shows a net profit for the year, after deducting all charges and expenses and providing for taxation, of £4,865,441, a decrease of £800,012.

Last year we carried forward a balance of £2,274,131. To this must be added the profits for the year as previously mentioned, £4,865,441, less the dividend on the 5 per cent. preference stock of £225,000; on the 6 per cent. preference stock of £860,000; and the four interim dividends paid for the year on the ordinary stock, amounting to £3,957,335, leaving a disposable balance of £2,597,287, out of which the directors recommend the distribution on the 7th February of a final dividend (free of United

Kingdom income tax) on the issued ordinary stock of three-pence per £1 of stock, amounting to £296,972, leaving £2,300,265 to be carried forward.

The last accounts which were before you covered only one month of the war, and the accounts now before you are the first accounts for a full period under war conditions.

I do not think you will be surprised to see some reduction in the net profits, in view of the heavily increased taxation that has been imposed in this country during the year under review. Unfortunately, we have been faced with increased taxation, not only in this country, but in most other countries throughout the world. In view of the foregoing, I feel you will not think that the results for the past year are unsatisfactory.

ALLOCATIONS

At the last annual general meeting you authorised the allocation from profit and loss to "reserve for contingencies" of £500,000, as a reserve against your company's investments in enemy countries. It is well known to you that, during the year under review, several other countries have suffered enemy occupation, and your directors have thought it advisable that a further reserve should be set up against the value of your company's investments in these countries.

Your directors considered very carefully whether a reserve for these investments should be made out of current profits—which would have entailed a drastic cut in dividends—or whether the required amount could be provided from some other source.

On several occasions in previous years one or two stockholders have urged a more generous dividend policy. I would say that, due to the conservative policy which your directors have always followed in the past, they felt justified in transferring £500,000 from "premium on ordinary stock issued" to "reserve for contingencies" instead of providing this amount out of current income. This has brought the "reserve for contingencies" up to £1,000,000, which is sufficient to cover the book value of your company's investments in all countries now in enemy occupation.

I might add that in recommending a total dividend distribution almost equivalent to earnings for the year, your directors had in mind particularly the interests of the numerous small stockholders, who are dependent to a larger extent on dividends from their investments.

THE OUTLOOK

Now, what of the future? I told you last year that I was not a prophet, and still less do I feel able this year to prophesy as to what may happen in the future, in view of the very disturbed conditions prevailing to a greater or lesser extent in practically every country in the world. I can confidently say, however, that the company's business is thoroughly sound financially and well equipped to meet any fair competition that may arise.

You will appreciate that a world-wide business such as yours is always faced with uncertain exchanges and, to-day especially, the possibility—and I might even say the probability—of further increases in taxation in many countries.

Allowing for this, however, I am hopeful that during the current year we shall be able to meet and counter difficulties that may arise just as successfully as we have done during the year now under review.

I now beg to move the adoption of the report and balance-sheet, including the payment of a final dividend (free of United Kingdom income tax) on the issued ordinary stock of three-pence per £1 of stock. The directors have declared for the year 1940-41 an interim dividend of ninepence per £1 of stock (free of United Kingdom income tax), payable on the 7th February next.

Mr Montague L. Whishaw (deputy-chairman) seconded the resolution, which was carried unanimously.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended January 18th, 1941, total ordinary revenue was £62,324,000, against ordinary expenditure of £88,663,000 and issues to sinking funds of £145,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £2,048,635,000, against £640,912,000 (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 Jan. 20, 1940	Apr. 1, 1940, to Jan. 18, 1941	Wk ended Jan. 18, 1940	Week ended Jan. 18, 1941
ORDINARY REVENUE	510,500	184,570	266,033	29183	35,081
Income Tax	83,000	34,520	40,568	5,590	5,400
Sur-tax	...	...	...	...	...
Estate, etc.	88,100	61,220	61,541	1,540	1,557
Duties	19,000	13,130	10,378	200	...
Stamps	70,000	21,300	18,322	630	400
N.D.C.	...	...	48,729	...	1,693
E.P.T.	...	...	...	...	...
Other Inland Revenue	1,000	730	378	90	30
Total In. Rev.	769,600	315,470	445,949	37,233	44,161
Customs	309,350	211,397	242,084	4,336	6,203
Excise	213,550	112,880	154,000	8,890	6,600
Total Customs and Excise	522,900	324,277	396,084	13,226	12,803
Motor Duties	35,000	19,392	24,130	496	4,130
P.O. (Net Receipts)	13,291	5,604	7,700	1,150	400
Crown Lands	1,150	970	840	...	...
Receipts from Sundry Loans	5,000	4,788	1,012	...	...
Misc. Receipts	13,250	14,433	23,018	130	830
Total Ordinary Revenue	1,360,191	684,932	898,733	52,235	62,324
SELF-BAL. Post Office and Broadcasting	86,222	64,146	70,100	900	1,150
Total	1,446,413	749,078	968,833	53,135	63,474

Expenditure	Issues out of the Exchequer (£ thousands)				
	Estimate, 1940-41	Apr. 1, 1939, to Jan. 20, 1940	Apr. 1, 1940, to Jan. 18, 1941	Wk ended Jan. 18, 1940	Week ended Jan. 18, 1941
ORDINARY EXPENDITURE	230,000	204,493	208,859	1,775	1,961
Int. and Man. of Nat. Debt	...	...	...	...	...
Payment to N. Ireland	9,400	5,940	6,229	...	...
Other Cons. Fund Serv.	7,600	6,621	6,770	...	2
Total	247,000	217,054	221,858	1,775	1,963
Supply Serv.	321,979	110,107	271,735	40,700	86,700
Total Ordinary Expenditure	568,979	327,161	493,593	42,475	88,663
SELF-BAL. Post Office and Broadcasting	86,222	64,146	70,100	900	1,150
Total	655,201	391,307	563,693	43,375	89,813

The 1939 figures include expenditure out of defence loans.

After increasing Exchequer balances by £22,738 to £3,004,626, the other operations for the week (no longer shown separately) raised the gross National Debt by £26,785,701 to about £10,988 millions.

OTHER ISSUES

(£ thousands)		
P.O. and Telegraph	250	
Overseas Trade Guarantees	29	
	279	

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1st to January 18th, 1940, are:—

(£ thousands)		
Ordinary Exp.	2,939,193	Ord. Revenue 898,733
Mis. Iss. (net)	6,656	Gross. borr. 2,055,901
Inc. in balances	610	Less—
		Sinking fds. 8,175
		Net borrowing 2,047,726
	<u>2,946,459</u>	<u>2,946,459</u>

FLOATING DEBT

(£ millions)					
Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt	
1940					
Jan. 20	800.0	658.1	54.7	1512.8	
Oct. 12	836.0	Not available	Not available		
" 19	836.0	1145.9	69.0	1990.5	2262.2
" 26	840.0	Not available	Not available		
Nov. 2	845.0	Not available	Not available		
" 9	845.0	Not available	Not available		
" 16	845.0	Not available	Not available		
" 23	845.0	1238.6	87.5	269.5	2440.5
" 30	845.0	Not available	Not available		
Dec. 7	845.0	Not available	Not available		
" 14	845.0	Not available	Not available		
" 21	845.0	Not available	Not available		
" 28	845.0	Not available	Not available		
1941					
Jan. 11	845.0	Not available	Not available		
" 18	845.0	Not available	Not available		

TREASURY BILLS

(£ millions)					
Date of Tender	Offered	Applied for	Allocated	Average Rate	Per Cent. Allotted at Min. Rate
1940					
Jan. 19	65.0	122.1	61.0	8.85	15
Oct. 11	65.0	127.0	65.0	4.60	37
" 18	65.0	129.8	65.0	4.61	36
" 25	65.0	135.3	65.0	4.41	30
Nov. 1	65.0	147.3	65.0	4.11	25
" 8	65.0	139.6	65.0	4.86	31
" 15	65.0	140.8	65.0	4.59	32
" 22	65.0	131.8	65.0	5.15	41
" 29	65.0	152.2	65.0	5.23	20
Dec. 6	65.0	140.7	65.0	2.99	54
" 13	65.0	144.0	65.0	2.15	38
" 20	65.0	130.8	65.0	2.15	38
" 27	65.0	143.8	65.0	2.52	31
1941					
Jan. 3	65.0	133.3	65.0	2.03	38
" 10	65.0	134.7	65.0	2.01	36
" 17	65.0	146.0	65.0	2.18	27

On January 17th applications at 299 1/2 per cent. for bills to be paid for on Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 27 per cent. of the amount applied for and applications at higher prices in full. Applications at 299 1/2 per cent. for bills to be paid for on Monday were accepted in full. £65.0 millions of Treasury bills are being offered on January 24th. For the week ending January 25th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2 1/2% BONDS SUBSCRIPTIONS

(£ thousands)					
Week ended	N.S.C.	3% Def. Bonds	2 1/2% Bonds	New 2 1/2% Bonds	3% Sav. Bonds
Dec. 17	3,351	4,548	18,738	...	...
" 24	3,175	2,567	9,583	...	...
" 31	1,986	3,119	11,834	...	...
Jan. 7	3,322	3,309	2,999	8,940	6,854
" 14	2,756	3,373	95	11,830	10,674
" 21	...	...	162	9,477	6,125
Totals to date	210,221	200,408	444,113	30,247	23,652

* 60 weeks. † 31 weeks.
Interest free loans received by the Treasury up to January 21st amounted to 11,545, of a total value of £26,255,819. From the beginning of the campaign up to December 31st, principal of Savings Certificates to the amount of £26,822,000 has been repaid.

BANK OF ENGLAND RETURNS

JANUARY 22, 1941

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt...	11,015,100
In Circul.	598,425,652	Other Govt. Securities...	615,335,969
In Bank, Department	31,815,923	Other Secs. ...	3,638,411
		Silver Coin ...	10,520
		Amt. of Fid. Issue	630,000,000
		Gold Coin & Bullion (at 168s. per oz. fine) ...	241,575
			630,241,575

BANKING DEPARTMENT

£		£	
Proprs. Capital	14,563,000	Govt. Secs. ...	142,982,888
Res.	3,396,000	Other Secs. ...	3,843,944
Public Deps.*	35,309,190	Discts., etc. ...	21,410,853
		Notes, ...	26,354,797
Other Deps.:		Gold & Silver	31,815,923
Bankers' ...	95,126,640	Coin ...	868,975
Other Accts.	62,537,763		
	147,664,343		
	200,922,538		

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

THE WEEK'S CHANGES

(£ thousands)		Compared with	
Both Departments	Amt. Jan. 22, 1941	Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	598,426	- 4,417	+ 75,635
Deposits: Public	35,309	+ 26,520	- 21,379
Bankers' ...	95,127	- 24,077	+ 14,996
Others	52,538	+ 1,768	+ 9,518
Total outside liabilities..	781,400	- 9,742	+ 78,771
Capital and res.	17,949	+ 17	- 56
COMBINED ASSETS			
Govt. debt & securities	769,334	- 9,434	+ 82,065
Discounts and advances	3,844	+ 125	+ 574
Other securities	25,049	- 625	- 3,825
Silver coin in issue dept.	11	+ 2	- 497
Coin and gold bullion.	1,111	+ 108	+ 98
RESERVES			
Res. of notes and coin in banking department..	32,685	+ 4,525	- 25,537
" Proportion " (reserve to outside liabilities in Bankg. dept.)	17.8%	+ 2.0%	- 14.5%

COMPARATIVE ANALYSIS

(£ millions)				
	1940	1941		
	Jan. 24	Jan. 8	Jan. 15	Jan. 22
<i>Issue Dept. :</i>				
Notes in circulation	522.8	610.5	602.8	598.4
Notes in banking department	57.4	19.8	27.4	31.8
Government debt and securities	575.0	626.4	626.5	626.4
Other securities	4.5	3.6	3.5	3.6
Silver coin	0.5	0.0	0.0	0.0
Gold, valued at s. per f.	0.2	0.2	0.2	0.2
	168.0	168.0	168.0	168.0
<i>Deposits :</i>				
Public	56.7	15.9	14.8	35.3
Bankers'	80.1	130.3	110.2	95.1
Others	43.0	56.2	54.3	52.5
Total	179.8	202.4	189.3	182.9
<i>Banking Dept. Secs. :</i>				
Government	112.3	173.0	152.8	141.0
Discounts, etc.	3.3	5	3.7	3.7
Other	24.1	21.2	22.0	16.0
Total	139.7	199.7	178.5	160.7
Banking depart. res.	58.2	20.6	28.2	3.3
	%	%	%	%
" Proportion "	32.3	10.1	14.0	1.9

	Jan. 17, 1940	Jan. 21, 1941	Jan. 9, 1941	Jan. 16, 1941
12 U.S.F.R. BANKS RESOURCES				
Gold Certificate on hand				
Drafts from Treas.	15,433	10,371	19,805	19,846
Total reserves	15,829	20,050	20,138	20,216
Total cash reserves	388	275	324	361
Total U.S. Gov. secs.	2,477	2,184	2,184	2,184
Total bills and secs.	2,405	2,195	2,195	2,195
Total resources	19,185	23,262	25,196	23,422
LIABILITIES				
F.R. notes in circn.	4,850	5,931	5,877	5,825
Excess m. bank res.	5,500	6,620	8,840	8,900
Mr. bank reserve dep.	12,020	14,028	14,284	14,414
Govt. deposits	575	368	220	237
Total deposits	13,278	16,127	16,244	16,302
Total liabilities	19,185	23,262	25,196	25,196
Reserve ratio	87.3%	90.8%	91.0%	91.0%
BANKS AND TREASURY : RESOURCES				
Monetary gold stock	17,905	21,995	22,034	22,066
Treas. and bk. currency	2,968	3,087	3,068	3,092
LIABILITIES				
Money in circulation	7,405	8,783	8,628	8,542
Treas. cash and dep.	2,936	2,580	2,423	2,432

	Jan. 3, 1940	Dec. 11, 1940	Dec. 25, 1940	Dec. 31, 1940
ASSETS	1940	1940	1940	1940
† Reserve : Gold	220.7	224.7	209.6	217.7
Other	62.8	—	—	—
† Securities	231.7	570.8	563.2	575.8
LIABILITIES				
Note circulation	231.7	343.4	359.9	359.9
Deposits : Dom. Gov. ..	47.4	41.1	10.3	10.3
Chartered banks	220.0	234.4	212.5	217.7

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

	Dec. 22,	Nov. 29,	Dec. 6,	Dec. 13,
ASSETS				
Gold coin & bullion...	183 17	190	1940	1940
Bills discounted	8 03	0 82	43 14	44 02
Inves. & other assets ...	22 47	34 34	34 55	35 33
LIABILITIES				
Notes in circulation ...	19 50	23 53	22 54	22 33
Deposits : Government	8 55	3 24	2 09	1 92
Bankers'	24 80	40 34	43 64	46 55
Others	4 78	6 22	6 09	6 57
Reserve ratio	50 0 0	58 3 0	56 8 0	57 1 0

	Jan. 12, 1940	Dec. 27, 1940	Jan. 3, 1941	Jan. 10, 1941
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	621	297	290	208
Balances abroad	103	572	596	547
Sterling securities	1,075	1,315	1,315	1,355
Indian Gov. rupee secs.	383	490	496	490
Investments	72	67	75	75
LIABILITIES				
Notes in circn. : India	2,273	2,286	2,300	2,320
Burma	122	127	134	140
Deposits : Govts.	124	164	178	165
Banks	172	480	477	452
Reserve ratio	60.2%	68.9%	68.9%	69.5%

	July 22, 1933	Oct. 1940	Oct. 19, 1940	Oct 31, 1940
ASSETS				
Gold	38.9	106.8	104.9	108.8
Clearing and other exch.	3	21.2	22.2	25.5
Treasury bonds	141.5	139.4	139.3	139.4
Commercial bills	128.5	262.9	263.4	256.6
Securities	51.0	55.4	55.8	55.8
Advances	13.9	64.7	72.8	89.6
LIABILITIES				
Notes in circulation ...	220.5	368.4	373.4	392.4
Deposits	34.1	161.5	154.2	143.0
Clearing & other exch.	36.2	30.0	31.0	34.0

	Nov. 27	Oct. 28	Nov. 18	Nov. 25
ASSETS	1939	1940	1940	1940
Gold and stg. exch.....	9.42	11.73	12.08	11.63
Advances to State.....	22.26	28.01	26.94	26.82
Investments	3.24	8.77	8.77	8.77
LIABILITIES				
Bank Notes	17.43	20.20	20.70	20.48
Demand Labs.: State	1.90	6.35	6.46	6.00
Banks and others	13.62	15.43	13.40	14.17
Reserves to sight labs.	28.56	27.99	27.85	28.56

	Nov. 8, 1939	Oct. 15, 1940	Oct. 22, 1940	Nov. 15, 1943
ASSETS				
Gold.....	1,887	2,408	2,418	1943
Other foreign exchange	1,606	1,687	1,687	2,538
Discounts and advances	2,505	1,643	1,646	1,744
Govt. adv. and credits.....	2,893	3,073	3,073	3,073
Def. bonds discounted	...	5,421	5,567	6,024
LIABILITIES				
Notes in circulation ...	9,172	12,524	12,485	12,045
Sight liabilities.....	1,622	2,638	2,841	3,103

U.S. \$ (4-86) 4-024-34; mail transfers, 4-024-034. Can. \$ (4-86) 4-43-47; mail transfers, 4-43-47. Sw. fca. (25-224) 17-80-40. Sw. kr. (18-159) 18-65-95. Arg. pesos (11-45) 18-90-17-13; mail transfers, 18-90-17-15. 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. 1764-4. Portuguese Esc. (110) 99-80-100-20. Panama, 8-02-04; mail transfers, 4-02-044. Philippine (peso), 8-09-12; mail transfers, 8-09-13.

Forward rates for one month have remained unchanged as follows: America, $\frac{1}{2}$ cent pm-par. Canada, $\frac{1}{2}$ cent pm-par. Switzerland, 3 cents pm-par. Sweden, 3 ore pm-par. Batavia, $1\frac{1}{2}$ cents pm-par.

London on	Par of Exchange per £	Jan. 16, 1941	Jan. 17, 1941	Jan. 18, 1941	Jan. 20, 1941	Jan. 21, 1941	Jan. 22, 1941
Budapest, Pen.	27-82	(d)	(d)	(d)	(d)	(d)	(d)
Belgrade, Dtn.	276-32	155 ^a	155 ^a	155 ^a	155 ^a	155 ^a	155 ^a
Sofia, Lev .. .	373-66	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 ^b	97 ^b -1	97 ^b -1	97 ^b -1	97 ^b -1	97 ^b -1	97 ^b -1
Madrid, Pt. ...	25-22½	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)
Istanbul, ET &T	110	46-55(c)	46-55(c)	46-55(c)	46-55(c)	46-55(c)	46-55(c)
Athens, Dr.	876	£520(b)	£520(b)	£520(b)	£520(b)	£520(b)	£520(b)
Bucharest, Lei	818-8	515*	515*	515*	515*	515*	515*
India, Rup.	718d.	(d)	(d)	(d)	(d)	(d)	(d)
Kobe, Yen.	¥24-58d.	18-14	18-14	18-14	18-14	18-14	18-14
Hongkong, \$.. .	141-15f.	141-15f.	141-15f.	141-15f.	141-15f.	141-15f.	141-15f.
Rio, Mtl.	\$5-89nd.	(d)	(d)	(d)	(d)	(d)	(d)
Valparaiso, Pes.	40	(d)	(d)	(d)	(d)	(d)	(d)
Lima, Sol; (c) ..	17-38	(d)	(d)	(d)	(d)	(d)	(d)
Montevideo, \$..	151d.	(d)	(d)	(d)	(d)	(d)	(d)
Panama, C.	28d.	(d)	(d)	(d)	(d)	(d)	(d)
Shanghai, S.	↑	31-1	31-1	31-1	31-1	31-1	31-1
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. (g) Trade payments rate.

	WORKINGS (2 thousands)								
	Week ended		Aggregate January 1 to			Week ended		Aggregate January 1 to	
	Jan. 1940	Jan. 18, 1941	Jan. 1940	Jan. 18, 1941		Jan. 1940	Jan. 18, 1941	Jan. 1940	Jan. 18, 1941
Working days :—	6	2,635	17	17	Newcastle	1,589	1,424	4,973	8,991
Birm'ham	2,867	6,355	8,738	7,819	Nottingham	538	489	1,557	1,443
Bradford	1,106	2,292	3,894	6,133	Sheffield ...	932	941	2,761	1,608
Bristol ...	1,678	1,774	4,871	4,381	10 Towns ..	27,803	29,556	55,601	76,487
Hull ...	1,083	1,071	2,697	2,132	Dublin*	6,384	6,199	18,209	14,952
Leicester	738	1,021	1,702	13,692	Sw'th'pton	67	67	244	244
Liverpool	5,532	6,466	17,102	13,810					
Manchester	11,042	11,764	19,139	32,450					

Bank rate, 2% (remained unchanged between Jan. 16th and Jan. 22nd:—
 Bills, 60 days, 1½%; 3 months, 1½%; 4 months, 1½%. Discount rates: Bank
 Treasury bills: 2 months, 1-1½%; 3 months, 1½%. Day-to-day money, 4-1½%
 Short loans, 1-1½%. Bank deposit rates, 1%. Discount deposits, at call, 1½%
 notice, 4%.

and's official buying price for gold remained at 188s. 0d. per 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
Jan. 16.....	23½	d.	Jan. 20	23½	23½
" 17.....	23½	23¾	" 21	23½	23½
		23¾	" 22	23½	23½

New York on	Jan. 15, 1941	Jan. 16, 1941	Jan. 17, 1941	Jan. 18, 1941	Jan. 20, 1941	Jan. 21, 1941
London :—						
Cables	Cents 4034	Cents 4034	Cents 4034	Cents 4034	Cents 4034	Cents 4034
Switzerland, Fr.	23-21	23-21	23-21	23-21	23-22	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.	23-85	23-85	23-85	23-85	23-88	23-86
Montreal, Can \$	85-760	85-760	85-875	85-875	85-850	88-500
Japan, Yen.	23-45	23-45	23-45	23-45	23-45	23-45
Shanghai, \$	48(b)	48(b)	48(b)	48(b)	48(b)	48(b)
B. Aires, Pso. (mkt. rate)	5-65	5-44	5-49	5-46	5-60	5-59
Brazil, Milreis	23-607	23-507	23-564	23-553	23-601	23-707
	5-05	5-05	5-05	5-05	5-05	5-05

			5.05	5.05	5.05
‡ Official buying rate 29.78.					
	(b) Offered,	(c) Nominal			

Company	Year Ending	Total Profit	Deprecia- tion	Net Profit	Available for Distribution	Appropriation						Preceding Year		
						Prof. Div.	Ord. Div.	Ord. %	Free Reserves	+ or - in c/f	Total Profit	Net Profit	Ord. %	
Financial, Land, etc.		£	£	£	£	£	£	%	£	£	£	£	£	%
New Zealand R. Plate, &c.	Oct. 31	87,707	...	34,778	59,541	...	28,000	4	6,000	+	778	86,037	32,697	4
Northern Corporation	Dec. 31	35,139	...	16,680	24,254	10,000	4,000	16	2,478	+	292	33,117	16,872	16
Porkells Pty. & Trust	Oct. 31	49,749	330	6,912	11,038	...	6,325	5	...	+	587	52,041	17,515	5
Sec. Covent Gdn. Prop'y.	Nov. 30	165,746	1,902	40,779	85,044	20,125	9,688	24	...	+	10,966	175,950	50,386	6
Tobacco Securities Tr.	Oct. 31	498,910	...	498,910	655,255	464,000	29,000	4	5714	+	5,910	535,700	535,700	4
Hotels & Restaurants.														
Carlton Hotel.....	Aug. 31	15,453	...	1,455	7,199	...	...	...	...	+	1,455	9,048	Dr. 5,143	Nil
Shops and Stores														
Selridge and Co.	Jan. 31st	203,621	...	21,093	40,205	13,000	...	...	...	+	8,093	370,644	155,921	Nil
Whitley (Wm.) Ltd.....	Jan. 31st	54,815	15,962	Dr. 24,869	54,408	...	...	...	Dr. 25,000	+	151	107,304	67,961	10
Gudalur (Nilgiri)	June 30	5,486	287	2,799	Dr. 5,249	...	...	...	...	+	2,799	3,733	1,101	Nil
Textiles														
Horrockses, Crewdson & Co.	Dec. 31	131,868	44,800	50,788	Dr. 28,153	...	...	...	...	+	50,788	94,939	45,689	Nil
Trusts														
Cardinal Investment.....	Dec. 31	21,032	...	9,507	14,840	5,244	4,311	6	Dr. 500	+	452	25,760	13,137	7
Great Northern Invest....	Nov. 30	166,040	...	58,350	116,931	26,250	21,000	6	5,000	+	6,100	166,042	67,808	6
River Plate & Gen. Invest.	Dec. 31	59,823	...	42,226	42,226	12,376	27,500	10	2,000	+	350	60,785	43,548	10
Third Scot. Ntn. Invest.	Dec. 15	46,052	...	15,402	24,820	8,828	1,766	1	...	+	2,808	45,498	14,445	1
Other Companies														
Birfield Industries.....	Nov. 30	81,458	...	70,440	72,360	32,775	19,047	12	...	+	18,618	72,975	64,994	12
Crossley (John) & Sons ...	Nov. 30	149,850	...	70,850	92,833	20,700	26,728	7	25,000	-	1,578	78,690	78,690	5
Fraitt, J. Alfred (1928) ...	Oct. 31	9,907	...	7,312	23,784	7,500	...	...	...	+	188	13,415	10,284	Nil
Furnell and Sons	Sept. 30	29,278	...	3,317	13,990	...	...	...	...	+	3,317	35,555	24,285	...
Timpon (Wm.) Ltd.....	Dec. 31	202,002	...	101,002	108,942	15,150	43,125	15	40,000	+	2,747	190,955	102,455	15
Weber & Phillips (L. & J.)	Dec. 31	17,718	...	16,018	28,033	...	15,810	8	...	+	208	16,589	16,326	7
Totals (£'000's)	No.ofCos.			1,055	1,348	632	236	...	80	+	107	1,698	1,128	...
Week to Jan. 25, 1941	19	1,771	47	9,505	14,048	1,964	7,527	...	442	+	217	13,452	10,481	...
Jan. 1 to Jan. 25, 1941	48	13,847	612	9,505	14,048	1,964	7,527	...	442	+	217	13,452	10,481	...

^a 1940; not included in 1941 totals.

Dividends are stated per annum or in cash. Previous year's rate is total dividend, unless marked* indicating interim dividend

Rates are actual unless stated per annum or in column																
Company	*Int. or †Final	Total	Pay- able	Prev. Year	Company	*Int. or †Final	Total	Pay- able	Prev. Year	Company	*Int. or †Final	Total	Pay- able	Prev. Year		
BANKS	%	%		%							%	%		%		
Hibernian Bank.....	11pa	...	...	11pa	Dangan Rubber.....	2½*	Feb. 19	...	NH	Gen. Cons. Investmt.	5 †	7	...	3†		
Hong Kong and					Gan Kee Rubber.....	7	...	...	NH	Govt. Scks., &c. In-	...	3½	...	7		
Shanghai Banking....	£2½+†	£5	...	£5	Serum Rubber.....	5	...	...	3	vestment	...	8½	...	8½		
Ile of Man Bank.....	9 †	18	...	18	Sunnigawa Co.	2½*	Jan. 31	...	NH*	Hall (J. & G.).....	5 *	...	...	5		
Royal Bank of Canada	2	...	...	2						Laurie (Alex.) & Co..	...	5	...	5		
Royal Bank of Ireland	3½†	7	...	7	INDUSTRIALS.					Law Debenture Corpn.	10 †	14	...	(14)		
					Alders (Tanworth) ..	17½†	25	...	20	Do, Founders £10	...	(8)	...	(1)		
					Assets Co.....	4½†	7	...	12½	Marshall (T.), Marlbk.	17 †	25	...	25		
MIXING					Atlas Stone.....	5 *	15	...	7	New Zealand & E. Land	...	4	...	4		
British Tin Investm't	9 †	13	...	7	Bennis Combustion...	2½*	...	...	2½*	Omnium Investment.	...	3½	...	3½		
Ferreira Estate.....	75 *	...	...	75 *	Bolton (Thomas).....	2½*	12	...	5	Pharaoh Gane (def.)...	...	10	...	10		
Glyn's Lydenburg.....	10 *	...	...	10 *	British Invest. Trust..	†	6	...	5 †	Timpon (Wm.).....	10 †	15	...	15		
Kampong Lansut Tin	10 *	...	...	10 *	Cardiff Pure Ice.....	3†	6	...	7	Security First Trust...	2d	...	Feb. 1	23		
Petaling Tin.....	25 *	...	Feb. 5	15 *	Cardinal Investment..	3†	6	...	6	Tobacco Securities Test	11	...	...	4-571		
					Chester Waterworks..	3 †	6	...	6	Do, Deferred	2½*	...	...	3		
TEA AND RUBBER					English and New York	3 †	4½	...	4½	Trafford Park Estates	10 *	...	...	10		
Balmoral Tea.....	4 *	...	...	3½*	Trust.....	2 †	3½	...	4	Vaughan Bros.....	...	...	...	3		
British Darjeeling Tea	2 *	...	...	2½*	For. & Col'n'l Invest.	2 †	3½	...	4							
Ceylon (Para) Rubber	5 *	...	Jan. 31	NH*												

+ Free of income tax. (s) £26 18s. 7d. tax free. (t) £32 18s. 2d. tax free.

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1941	+ or -	1941	+ or -
B.A. and Pacific	27	Jan. 4	\$1,488,000	+ 171,000	31,852,000	- 1,521,000
B.A. Gt. Southern	28	11	\$2,280,000	- 615,000	55,287,000	- 3,895,000
B.A. Western	28	11	\$774,000	+ 138,000	19,172,000	- 1,676,000
Canadian Pacific	28	14	\$5,302,000	+ 608,000	6,445,000	+ 1,374,000
Central Argentina	28	11	\$1,477,050	- 22,900	39,159,000	- 11,839,300

† Receipts in Argentine pesos

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

Name	Jan. 21, 1941	Name	Jan. 21, 1941	Name	Jan. 21, 1941
Sec'nd Br't	18/3 bid	Nation'l D.	9/7½—10/7½	Key. Gold	8/3—9/0xd
Lim'd Inv.	12/0—12/0xd	Century...	11/1½—13/10½	Br. Ind. 4th	11/1½—12/7½
New British	7/6—8/0xd	Scottish...	10/0—11/6	Elec. Inds.	12/0—14/0xd
Invest Tr.	8/9—10/0	Univ. 2nd	11/9—13/6	Met. & Min.	10/6—12/0
Bk.-Insur.	14/3—15/9*	Inv. Flex.	9/0—10/0	Comm. Inv.	13/7½—15/1
Insurance	14/15/0xd*	Key. Gen.	12/10½—13/0	Producers..	5/6—6/6
Bank	14/9—15/0	Key. Flex.	9/0—10/3	Dom. 2nd	5/—5/9
St. E.L.T.I.	10/3—11/0xd*	Key. Cons.	8/4½—9/10½	Orthodox ..	7/6

* Free of commission and stamp duty

(Continued from page 116)

increased from 5 to 7½ per cent. Total income improved from £78,690 to £149,850 but net profits were only moderately higher at £79,850 against £78,690. WM. TIMPSON, LTD., is repeating the 15 per cent. ordinary payment. Gross profits rose from £190,955 to £202,002, but net income was slightly lower at £101,002 against £102,455. NEW ZEALAND AND RIVER PLATE LAND MORTGAGE CO. realised a small improvement in total income which rose from £86,037 to £87,707 and a rather larger increase in net earnings at £34,778 against £32,697. The 4 per cent. ordinary dividend is maintained.

Bank of Nova Scotia.—Net profit for 1940 \$1,941,331 (\$2,033,333), after taxation \$1,004,027 (\$559,191) and contingencies. Bank premiums \$250,000 (\$250,000), pensions fund \$200,000 (\$190,000), Carry-forward \$1,225,891 (\$1,174,560), dividend again 12 per cent. Cash \$63,609,272 (\$67,130,107). Investments \$131,171,218 (\$136,065,455). Deposits \$269,639,665 (\$279,766,509).

Hibernian Bank.—Net profit, second half 1940, £32,035 (£33,603). Bank premises £5,000. Carry forward £27,608. Dividend again $5\frac{1}{2}$ per cent. Deposits £10,776,791. Government securities, etc. £4,702,423 (£5,031,488). Bills discounted £5,952,561 (£6,111,541).

Hongkong and Shanghai Banking Corporation.—Total dividend for 1940 £5 per share as before. Written off

bank premises account	\$1,000,000
(\$300,000). Carry forward	\$3,422,000
(\$3,411,330).	

Westinghouse Brake.—Net profit, year to Sept. 30th, £159,781 (£88,932). General reserve £50,000 (£25,000). Contingencies reserve £25,000 (nil). Investment reserve £13,293 (nil). Carry forward £92,384 (£90,432). 10 per cent. dividend repeated.

Second Covent Garden Property Co.—Total income, year to Nov. 30th, £163,746 (£175,949). Debenture interest £59,000 (£59,000). Mortgage interest £17,651 (£17,628). Income tax and N.D.C. £31,621 (£26,252). Net income £40,779 (£56,386). No final dividend to follow interim of 2d per cent. (total 6 per cent.). Carry forward £55,232 (£44,266).

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.

Prices, Year 1940				Prices, Year 1941				Name of Security	Price, Jan. 21, 1941	Ch'ge since Jan. 14, '41	Yield Jan. 21, 1941			
High		Low		High		Low								
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)							
British Funds														
77	68	77	76	Consols 2½%	77	+	3.8 d.	22/11	22/7	14 b	Iron, Coal, &c. cont.	22/6	+	5.11 0
111	103	110	110	Do. 4% (alt. 1957)	110	+	3.12 4f	12/7	11/3	12 a	Gust. Keen & Co. Ord. £1	21/7	+	10 8 0
98	98	98	98	Conv. 2½% 1943-49	98	+	2.3 1	21/3	19/6	12 a	Powell Duffryn £1	12/6	+	11 4 0
100	99	100	99	Do. 2½% 1944-49	100	+	2.11 2	43/9	42/6	12 a	S. Durham Ord. £1	21/7	+	15 15 0
103	103	103	103	Do. 3½% 1948-53	103	+	2.12 6	44/-	41/3	12 a	Staveley Coal, etc. £1	43/9	+	12 16 0
107	107	107	107	Do. 3½% after 1961	107	+	2.7 11	24/3	21/6	10 a	Stewarts & Lloyds £1	43/3	+	9 16 0
92	86	92	92	Do. 5% 1944-64	92	+	3.0 7	16/-	15/-	6 b	Swan, Hunter £1	23/6	+	16 16 0
92	88	92	92	Fund. 2½% 1956-61	92	+	2.17 4	4/-	3/6	NH	Un. Steel Cos. Ord. £1	15/7	+	6 8 0
92	88	92	92	Fund. 2½% 1956-57	92	+	2.17 4	4/-	3/6	NH	Vickers 10/-	15/7	+	6 8 0
99	95	99	99	Fund. 3% 1959-69	99	+	3.0 11	4/-	3/6	NH				
114	105	114	113	Fund. 4% 1960-90	113	+	3.1 3	33/9	28/9	5 b	Textiles			
102	95	101	101	Nat. D. 2½% 1944-48	101	+	2.18 9	34/7	31/7	7 c	Brit. Colnase 10/-	4/-	+	5 6 0
102	95	101	102	Do. 3½% 1954-58	101	+	2.17 6	28/6	26/10	5 b	Conds. J. & P. £1	33/7	+	4 3 0
100	100	100	100	War Bds. 2½% 1945-47	100	+	2.9 8	19/3	17/4	5 b	Courtaulds £1	28/9	+	5 4 0
112	105	112	111	Victory Bonds 4%	112	+	3.1 11	52/6	49/10	10 c	English Swg. Ctn. £1	28/9	+	5 4 0
101	98	101	100	War L. 3% 1955-59	101	+	2.18 10	41/0	40/1	10 c	James, Cotton Corp. £1	18/9	+	8 0 0
103	93	103	103	War L. 3½% af. 1952	103	+	3.6 8	88/3	82/6	15 b	Patons & Baldwins £1	52/6	+	3 5 0
85	80	85	84	Local Loans 3%	85	+	3.4 1	65/6	62/6	10 b	Electrical Manufg.	40/-	+	5 0 0
94	85	94	94	Redemption 3% 1986-90	94	+	3.4 1	65/6	62/6	10 b	British Insulated £1	87/6	+	4 11 9
101	97	100	100	Australia 3% 1933-53	100	+	3.0 7	19/3	17/6	7 a	Callenders £1	65/-	+	4 12 0
101	99	101	100	India 2½% 1933-53	101	+	3.0 7	19/3	17/6	7 a	Crompton Park A 5/-	17/6	+	5 14 0
97	82	97	96	Do. 3½% 1958-68	97	+	3.12 6	30/9	28/3	10 c	English Electric £1	30/-	+	5 3 6
115	105	112	111	Do. 4½% 1958-68	112	+	3.10 10	47/6	44/7	20 c	General Electric £1	77/6	+	5 3 6
Dom. & Col. Govts.														
107	101	105	104	Austria 5% 1945-75	104	+	3.13 9	35/3	33/6	5 b	Johnson & Phillips £1	17/6	+	6 6 9
112	105	112	111	Canada 4% 1953-58	111	+	2.18 6	35/3	32/6	5 b	Gas and Electricity			
110	106	108	107	Nigeria 5% 1950-60	108	+	3.18 9	25/-	23/6	3 a	Clyde Valley Elec. £1	35/-	+	4 11 6
105	100	105	104	N. Zealand 5% 1946	105	+	3.17 6	14/11	11/3	2 a	County of London £1	35/-	+	4 10 0
108	103	107	107	S. Africa 5% 1945-75	107	+	3.2 6	27/6	25/6	5 b	Edmundsons £1	24/6	+	4 10 0
Corporation Stocks														
116	104	107	107	Birmingham 5% 1946-56	107	+	3.12 6	34/-	32/6	2 a	Gas Light & C. £1	13/-	+	6 3 3
85	78	86	84	L.C.C. 3%	85	+	3.10 5	35/6	33/9	5 b	Lancashire Elec. £1	28/9	+	5 4 0
94	87	93	93	Liverpool 3% 1954-64	93	+	3.9 5	35/9	33/9	5 b	North-East Elec. £1	26/3	+	5 6 6
104	97	103	102	Midx. 3½% 1957-62	103	+	3.6 6	14/9	13/9	30 c	Northth Power £1	33/11	+	5 8 6
Foreign Governments														
92	71	84	82	Argentina 1½% 1914	82	+	5 8 0	16/6	16/-	6 c	Scottish Power £1	34/4	+	4 13 0
23	9	14	13	Brazil 5% 1914	26	+	6.18 11p	10/6	10/6	6 b	Yorkshire Electric £1	35/-	+	4 11 6
45	12	35	32	Chile 6% (1929)	44	+	10.14 0p	28/9	28/9	12 a				
80	50	82	80	China 5% (1913)	80	+	13/3	12/6	12/6	12 a				
25	12	20	19	Egypt Unifd 4%	25	+	4.18 9	18/0	15/9	10 c				
65	19	30	31	Greek 6% Stab. Lm.	31	+	17 11 0	65/-	61/3	25 c				
69	50	60	58	Japan 5½% 1930	60	+	5 0 0	54/3	50/7	24 a				
57	37	45	45	Portuguese 3%	45	+	8 16 10	26/4	24/6	45 c				
Railways														
51	43	51	51	B.A. Gt. Sth. Ord.	51	+	NH	18/6	18/-	4 c	Motor and Aircraft			
80	84	84	84	Can. Pac. Com. \$25	84	+	NH	21/6	20/3	5 c	Austin 5/-	13/9	+	5 9 0
72	72	72	72	Gt. Western Ord.	72	+	9 12 0	10/3	9/9	6 c	B.S.A. Ord. £1	16/6	+	9 1 9
58	50	55	55	Do. 5% Cons. Prf.	55	+	5 13 0	17/4	16/6	4 c	Bristol Aero. 10/-	10/6	+	9 10 0
39	33	40	40	L.N.E.R. 5% Prf. 1955	40	+	10 13 3	30/7	28/9	7 a	De Havilland Air. £1	28/9	+	8 14 0
15	13	15	15	Do. 4% 1st Pf.	15	+	10 13 3	30/7	28/9	7 a	Falvey Aviation 10/-	12/9	+	7 10 9
41	36	41	41	L.M.S. Ord.	41	+	10 3 3	26/10	26/-	6 b	Ford Motors £1	17/-	+	7 1 0
55	50	55	55	4½% Pr. 1929	55	+	10 3 3	26/10	26/-	6 b	Hawker Siddeley (5/-)	14/-	+	11 12 0
34	31	34	34	4½% Pr. 1929	34	+	10 3 3	26/10	26/-	6 b	Leyland Motors £1	65/-	+	6 2 0
12	10	12	12	Lon. Trans. "C"	12	+	7 6 6	24/3	2/3	9 c	Lucas, J. (£1)	52/6	+	5 14 0
53	44	53	53	Southern Def.	53	+	9 12 0	61/3	52/6	10 c	Morris Motors 5/- Ord.	26/3	+	5 12 0
86	53	86	86	Do. 5% Pr. Ord.	86	+	9 12 0	61/3	52/6	10 c	Rolls-Royce £1	31/3	+	5 12 0
Banks and Discount														
62/6	53/4	71	71	Bank of England Stk.	62/6	+	5 12 0	62/6	58/11	7 a	Standard Motor 5/-	11/6	+	10 17 0
342	333	342	342	Bank of Australia £5	342	+	5 10 0	28/6	27/3	5 b	Shipping			
61	61	61	61	Bank of Montreal \$100	61	+	5 10 0	28/6	27/3	5 b	Furness, Withy £1	18/-	+	5 11 0
23/9	25/6	23/9	23/9	Bank of N. Zealand £1	23/9	+	4 4 0	43/0	41/6	5 c	P. & O. Def. £1	21/-	+	7 2 9
68/3	64/10	68/3	68/3	Barclays Bank £1	68/3	+	4 4 0	43/0	41/6	5 c	Royal Mail Lines £1	17/-	+	5 18 0
9	9	9	9	Chd. of India £5	9	+	5 10 0	68/6	67/6	5 c	Union Castle Ord. £1	8/6	+	NH
49/3	47/6	49/3	49/3	Diab. B. £1, 5/- pd.	49/3	+	4 2 0	59/6	57/6	4 c				
283	274	283	283	Hongkong and S. £125	283	+	4 2 0	59/6	57/6	4 c	Allied Sumatra £1	10/3	+	7 16 0
74	74	74	74	Lyons £5, £1 pd.	74	+	5 3 0	84/4	7/6	11 a	Anglo-Dutch £1	17/3	+	7 0 0
82/-	78/-	82/-	82/-	Martins £20, £25 pd.	82/-	+	3 19 0	27/6	25/-	12 c	Jokai (Assam) £1	30/-	+	6 13 3
54	54	54	54	Midland £1, 5/- pd.	54	+	4 13 0	23/9	23/9	15 a	London Asiatic 2/-	3/3	+	6 3 3
32	31	32	32	Nat. Ind. £25, £125 pd.	32	+	6 5 0	44	44	15 a	Rubber Trust £1	26/6	+	6 16 0
162	157/6	162	162	Nat. Pr. £5, £1 pd.	162	+	5 4 0	20/6	19/4	15 a	United Seng 2/-	24/1	+	4 4 6
416	405	416	416	Royal Bk. of Scotland	416	+	4 3 0	48	48	15 a				
43/0	41/3	43/0	43/0	Union Discount £1	43/0	+	4 12 0	27/6	27/6	15 a				
75/-	70/3	75/-	75/-	Westmstr. £4, £1 pd.	75/-	+	5 2 0	11/6	10/4	5 b				
Insurance														
22	21	22	22	Alliance £1, fully pd.	22	+	3 19 0	5	5	11 a	Oil			
104	104	104	104	Atlas £5, £1 pd.	104	+	5 4 0	34	34	11 a	Anglo-Iranian £1	40/-	+	2 10 0
68/-	65/6	68/-	68/-	Gen. Acct. £1, 5/- pd.	68/-	+	5 4 0	25/3	23/3	5 b	Apex (Trinidad) 5/-	25/-	+	7 0 0
24	23	24	24	Lon. & Lanc. £5, £2 pd.	24	+	4 1 0	50/6	43/9	10 c	Burnham Oil £1	60/-	+	7 0 0
13	12	13	13	Pearl (£1), 5/- pd.	13	+	3 11 0	75/7	71/-	10 c	Shell Transport £1	46/3	+	7 2 3
12	12	12	12	Phenix £1, 5/- pd.	12	+	4 15 0	37/6	35/6	10 c	Trinidad Leaseholds £1	61/3	+	4 19 0
20	19	20	20	Prudential £1 A.	20	+	4 5 0	34	34	11 a				
7	7	7	7	Royal Exchange £1	7	+	4 0 0	80/7	76/3	12 a				
8	7	8	8	Royal £1, 12/6 pd.	8	+	4 1 0	16/-	15/6	12 a				
58	54	58	58	Sun Life £1, 5/- pd.	58	+	5 0 0	16/-	15/6	12 a				
Investment Trusts														
154	139	154	154	Debenture Corp. Stk.	154	+	6 14 0	43/3	40/6	12 a	Mellaneous			
140	137	140	140	Invest. Trust Def.	140	+	8 2 6	34	34	11 a	Barker (John) £1	60/-	+	4 3 4
161	140	161	161	Trustees Corp. Ord.	161	+	7 4 0	20/6	19/4	15 a	Boots Pure Drug 5/-	27/6	+	3 12 6
153	150	153	153	United States Deb.	153	+	6 10 0	92/3	90/6	20 c	Brit. Aluminium £1	40/-	+	4 2 6
Breweries, &c.														
115/6	114/-	115/6	115/6	Bas. Ratcliff Ord. £1	115/6	+	3 9 0	45/6	44/-	2 a	Inter. Nickel n.p.	24/0	+	4 12 0
45/6	45/6	45/6	45/6	Charrington £1	47/-	+	6 19 9	24/9	22/6	22 a	London & Ulverley £1	50/-	+	5 4 0
68/6	68/6	68/6	68/6	Courage Ord. £1	67/-	+	4 16 0	23/3	21/3	6 c	London & Ulverley £1	50/-	+	5 4 0
71/9	69/6	71/9	71/9	Distillers Ord. £1	71/6	+	1/6 7	56/9	53/3	5 b	Lyons (J.) Ord. £1	42/6	+	4 2 0
67/-	68/-	7												

BRITISH WHOLESALE PRICES

CEREALS AND MEAT		Jan. 21, 1941	Jan. 21, 1941
GRAIN, etc.			
Wheat—			
No. 1, N. Mt. 496 lb. f.o.b. Vc.		27 0	26 10
Eng. Gaz. av., per cwt. (e)		14 7	14 7
Flour, per 250 lb.—			
Straights, d/d London		25 6	25 6
Barley, Eng. Gaz., av., per cwt. (e)		22 0	22 0
Oats (e)		14 10	14 10
Maize, 1st Plata, 480 lb., f.o.b.		12 0	12 0
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		90 2	90 2
Imported		90 2	90 2
COCONUTS (per cwt.)—			
Accra, g.f.		35 0	35 0
Grenada		67 0	67 0
COFFEE (per cwt.)—			
Santos supr. c. & f.		Nom.	Nom.
Costa Rica, medium to good		120 0	120 0
EGGS (per 120)—English		32 6	30 0
LARD (per cwt.)—Imported		64 0	64 0
POTATOES (per cwt.)—			
English, King Edward		0 0	0 0
SUGAR (per cwt.)—			
Centrifugals, 96½ prpt. shipm.		7 6	7 6
c.f.f. U.K./Cont.		7 6	7 6
REFINED LONDON—			
Granulated, 2 cwt. bags		10 6	10 6
Granulated, 2 cwt. bags, domestic consumption		31 2	31 2
West India Crystallised		41 6	41 6
TOBACCO (per lb.)—			
Indian stemmed and unstemmed		0 10	0 10
Rhodesian, stemmed and unstemmed		0 10	0 10
TEXTILES			
COTTON (per lb.)—			
Raw, Mid-American		8 72	8 70
" Giza, F.G.F.		12 10	12 12
Yarns, 32's Twist		15 90	15 92
" 40's Twist (Egyptian)		17 15	17 17
" 60's Twist (Egyptian)		26 20	26 20
Cloth, 32 in. Printers, 110 yds.		2 4	2 4
16 x 10, 32's & 50's		2 4	2 4

(a) + 6s. per ton net paper bags, 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 Jan. 11th and Jan. 15th.

AMERICAN WHOLESALE PRICES

GRAINS (per bushel) —		Jan. 14, 1941	Jan. 21, 1941
Wheat, Chicago, May		72 1	83 1
" Winnipeg, May		72 1	76 1
Maize, Chicago, May		62 1	62 1
Oats, Chicago, May		36 1	35 1
Rye, Chicago, May		47 1	45 1
Barley, Winnipeg, Dec.		15 1	14 1
METALS (per lb.) —			
Copper, Connecticut		12 00	12 00
Tin, N.Y., Straits, spot		50 15	50 15
Lead, N.Y., spot		5 50	5 50
METALS (per lb.) — cont.			
Copper, N.Y., spot		10 45	10 45
Cotton, N.Y., spot		10 29	10 27
Cotton, N.Y., Jan.		6 57	6 52
Lard, Chicago, Jan.		5 27 1	5 22 1
MISCELLANEOUS (per lb.) — cont.			
Petroleum, Mid-cont. crude, per barrel		102	102
Rubber, N.Y., smol. sheet spot		19 1	19 1
Sugar, N.Y., 96 deg. spot		19 1	19 1
Sugar, N.Y., 96 deg. Cent. 96		2 95	2 95
Sugar, N.Y., 96 deg. No. 4		0 77	0 76
Moody's Index of staple commodities, Dec. 31, 1931=100		173 4	174 8

DISTRICT BANK LIMITED

LIABILITIES		Dec. 31, 1939	Dec. 31, 1940
1,596,000 "A" shares		1,596	1,596
316,000 "B" shares		316	316
764,428 "C" shares		764	764
Reserve fund		2,976	2,976
Dividend for half-year to Dec. 30, 1940		189	150
Profit and loss		291	298
Current deposit and other accounts		90,782	105,379
Acceptances		876	524
Endorsements		4,336	3,035
Total		102,406	115,339
ASSETS		Dec. 31, 1939	Dec. 31, 1940
Coin, notes, etc.		9,596	11,363
Balances with other banks		3,837	4,181
Money at call and notice		7,569	7,579
Bills of exchange		10,802	9,262
Treasury Deposit Receipts		12,000	12,000
Brit. Govt. securities		26,410	30,269
Dominion and Colonial Govt. securities		2,760	2,818
Other investments		271	196
Advances		31,056	32,478
Acceptances		5,212	3,560
Bank property		1,593	1,533
Total		102,406	115,339

COUTTS AND COMPANY

LIABILITIES		Dec. 31, 1939	Dec. 31, 1940
Capital paid up		1,000	1,000
Reserve fund		1,000	1,000
Current deposits and other accounts		23,927	26,569
Acceptances, etc.		730	797
Total		26,657	29,366
ASSETS		Dec. 31, 1939	Dec. 31, 1940
Coin, bank notes, etc.		2,588	2,976
Balances with other banks		883	1,098
Money at call and notice		3,147	3,518
Investments		6,970	9,625
Bills discounted		1,572	1,661
Treasury Deposit Receipts		1,000	1,000
Advances		10,355	8,369
Bank premises		412	412
Acceptances, etc.		730	797
Total		26,657	29,366

WILLIAMS DEACON'S BANK LIMITED

LIABILITIES		Dec. 31, 1939	Dec. 31, 1940
1,562,500 £5 "A" shares		1,562	1,562
312,500 £1 "B" shares		313	313
Fully paid		900	900
Dividend, Dec. 1940		117	117
Profit and loss		120	148
Current deposit and other accounts		41,631	50,865
Acceptances		585	308
Endorsements		1,731	1,905
Total		46,959	56,118
ASSETS		Dec. 31, 1939	Dec. 31, 1940
Coin, notes, etc.		4,801	6,827
Balances with other banks		3,307	3,780
Money at call and notice		7,085	7,556
Bills discounted		2,649	1,958
Treasury Deposit Receipts		5,500	5,500
Investments		11,423	14,928
Advances		14,094	12,199
Properties		174	164
Bank premises		1,020	993
Acceptances		585	308
Endorsements		1,731	1,905
Total		46,959	56,118

THE ECONOMIST

Vol. CXL

FEBRUARY 1, 1941

No. 5084

CONTENTS

LEADING ARTICLES

Japan's Difficulties	135
Unity and Opposition	137
The Future of Spending	138
A Medical Parliament	139

NOTES OF THE WEEK

General Metaxas	140
More Men	140
Bill No. 1776	140
Purgings in Italy	140
Africa: the Advance Continues	141
Evacuation: Official Views	141
Education's Progress	141
Rationing Expenditure	142
Criticism of War Damage Bill	142
Supply Problems in Albania	143
The End of the Legionary State	143
American Blockade	143
Determination of Needs	143
The Land Leeches	144
The Daily Worker	144
Shorter Notes	144

THE WORLD OVERSEAS

Supply Difficulties in Canada	145
The Good Neighbour Policy (United States)	145
Economic Difficulties in Transyl-	146
Vania	146
Australia's Budget	147

INVESTMENT NOTES

An L.C.C. Redemption	152
Foreign Bond Prospects	152
Treasury Payment Delays	152
Dollar Securities	152
Company Dividend Announcements	153

COMPANY NOTES

The Woolworth Payment	153
Imperial Tobacco Dividend	153
Dalgety Report	154
Jute Industries Progress	154
The Stock Exchanges	154
CAPITAL ISSUES	166
SHORTER COMMENTS	166

THE BUSINESS WORLD

LEADING ARTICLE

The Growth of Bank Credit	148
---------------------------	-----

FINANCE AND BANKING

Less Wool for Civilian Use	155
Shopkeepers and Mutual Help	155
Building Materials Controlled	155
Record Steel Production in America	155
Poultry Price Control	155
Crude Oil Production in 1940	156
Difficult Coffee Position	156
Palestine Citrus	156
COMMODITY AND INDUSTRY NEWS	157
COMPANY MEETINGS	158
CURRENT STATISTICS	167

Japan's Difficulties

THE Japanese Diet reassembled on January 21st.

Prince Konoe's Government appear to have faced the session with some misgivings, since, before the House met, a series of conferences was held to enable the Ministers to outline before selected audiences — one day it was peers, then deputies, then industrialists — the policy of the Government and the nature of the crisis through which Japan is passing. Prince Konoe clearly expected the keenest opposition to be directed against the structural changes in the State introduced during the course of last autumn. These changes were Japan's attempt to keep abreast with the development of totalitarian technique in Europe. Her former superficially democratic institutions had been borrowed from the West at a time when liberal democracy was everywhere in the ascendant, and were incorporated in a Constitution granted by the Emperor Meiji. But in the spring and summer of 1940, liberal democracy lay moribund on the battlefields of Flanders and France. The Japanese naturally attributed the astonishing successes of the Axis to its political organisation. Prince Konoe called for a "new order" and a Committee was appointed to produce a plan.

The whole Empire is to be organised under a Supreme Economic and a Supreme Cultural Council. The State is thus to give unified direction to all the activities of the community, and the community has dutifully spent the autumn organising itself to fit in with the new plan. Industry has amalgamated under its own leaders, churches have transformed themselves into national churches, a single party has been created to transmit the views of the Government and to express the will of the people.

The people of Japan have accepted the changes with the docility of those who realise that it makes not the remotest difference to them however the State is run. The opposition comes from more influential quarters. For years now—since the murder of Mr

Inouye in 1931—the big industrial and financial interests have been fighting a desperate battle against the revolutionary factions among the armed forces. The younger officers, representing an impoverished landed gentry and peasantry, refuse to accept the hegemony of big business and the parliamentary system manipulated by it. War plays into their hands, since total war demands totalitarian control of industry. These extremists have long clamoured for complete nationalisation of industry with a complementary military dictatorship in the sphere of politics. Resistance to their demands has been accompanied by a rising tide of violence: war in China, political murder at home.

There is reason to believe that Konoe's "new order" is a compromise. As such, the industrialists have accepted it, like Belloc's child, "for fear of finding something worse." But it was expected that the Diet would bring to a head the unsolved problem of the relations between the Meiji Constitution and the new structure. A God given Constitution cannot be re-scinded, and the Constitution guarantees the status of the Diet and the right to vote. The deputies have proved jealous of their privileges in the past. They were expected to be quite as tenacious in this crisis.

In fact the session has opened in a mood of intense loyalty and fervent compromise. This mood may in part be due to the Government's readiness to shelve the more controversial measures. The electoral system is not to be reformed and the Diet's lease of life is extended by one year. All industrial reorganisation is postponed and the Budget will come up for immediate consideration. But the real motive behind the Diet's unexpected quiet is the feeling, carefully fostered by Prince Konoe and Mr Matsuoka, the Foreign Minister, that Japan is facing so grave a crisis in her existence that "faction" is out of place. "Our

Empire to-day faces the gravest emergency in its history" was the verdict of the Prime Minister, and Mr Machida, former President of the disbanded Minseito Party, gave the nature of the emergency when he said, "The foreign situation is growing tenser every day. The enemy character of Great Britain and the United States against this country is asserting itself more and more boldly."

Whether or no this stressing of a foreign crisis was a shrewd political manoeuvre to tide the Government over an awkward parliamentary moment, it is undoubtedly true that the relations between the Western democracies and Japan have deteriorated. The change is more marked in the case of the United States, since British relations with Japan have been very bad for some time now. Since September last the Japanese have done everything in their power to underline their resentment of American policy and to multiply their threats of the awful consequences to the American Republic if it attempts to interfere with anybody's "new order." Article 3 of the Three-Power Pact was phrased to read as an almost specific warning to the Americans to keep out of the European war if they wanted to avoid trouble in the Pacific. President Roosevelt's reply—to summon American nationals home from the Far East—had a sobering effect for a short time, but the Presidential election and the great spurt given by it to the policy of helping Britain restored the earlier bitterness. The Japanese now talk as though a clash were inevitable, and Mr Matsuoka has taken a positive, if sombre, pleasure in underlining how inevitably Japan must enter the war if the United States becomes involved on any pretext short of being directly attacked by Germany.

The Japanese Foreign Minister has left us in no doubt over the reasons for this hostility. It is that "the United States has evinced no adequate understanding of the fact that the establishment of a sphere of common prosperity throughout Greater East Asia is a matter of special concern to Japan." The Japanese objection is twofold. It deals with two different aspects of "Greater East Asia," both of which, however, are vitally concerned with the foreign policy of the United States.

On the one hand there is the Japanese *Drang nach Süden*. Ever since the defeats of May and June placed in a new light the whole question of sovereignty in Indo-China and the Dutch East Indies there have been powerful forces—certain groups in the Navy and some sections of the business world—at work behind the Japanese Government, pressing them to adopt a "forward policy" in the area loosely called the South Seas, now held to be Japan's natural *Lebensraum*. In Indo-China the Japanese have had considerable success; indeed, French concessions in the matter of airfields, naval bases and supplies add up to a virtual occupation. And now that the dispute between Thailand and Indo-China is to be settled by Japanese mediation, it is likely that more pickings will come the way of the arbiters. In the Dutch East Indies, however, in spite of the efforts of Mr Kobayashi and the readiness of the oil interests to sell Japan

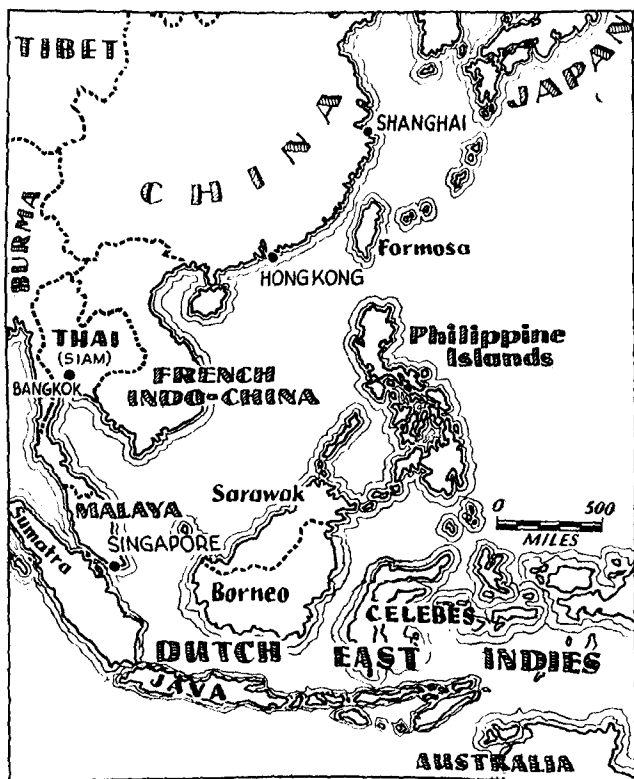
900,000 tons of oil, the Dutch, conscious of American interest, are resisting Japan's efforts to secure whole-sale rights of exploitation. Mr. Cordell Hull stated last summer that a change in the status quo in the Dutch East Indies would be a matter of concern to the whole Pacific area, and nothing in his recent statement on the Far Eastern position modified the earlier view.

The possibility of American intervention is inconvenient in the South Seas. In China it is a major obstacle in Japan's imperial way. The Japanese are, militarily speaking, no nearer winning the war than they were a year ago. They have even had to abandon the Nanking area this autumn in order to send their troops to Indo-China and Hainan. But the puppet government at Nanking is established, and the Japanese hope to rally the Chinese to Wang Ching-wei by waiting for a disintegration behind General Chiang Kai-Shek's lines. Mr Matsuoka described Chungking as a "regime riddled with internal disruption and friction which are rapidly growing acute, while the masses under its control are suffering from high prices, a dearth of commodities and other tribulations."

We know that the Communists are causing the Generalissimo anxiety by their insubordination. Only a few weeks ago the Fourth Army was disbanded for mutiny. We know, too, that Free China is economically in a dangerous position, which the reopening of the Burma Road last October can mitigate but cannot cure. The Japanese are experimenting in a new policy of fighting little and squeezing home the blockade. The lull deprives the Free Chinese of the spur of danger, the blockade causes grievous shortage and distress. It is therefore not fantastic for the Japanese to hope that this policy of attrition may soon secure its end.

There is only one obstacle—the moral and material reinforcements sent by Britain and the United States to General Chiang Kai-Shek. Last autumn there were two loans—£10 millions from Britain, £25 millions from the Americans—and all President Roosevelt's recent statements on aid for the belligerents have included Free China among the armies fighting for freedom. Japan finds her policy of attrition frustrated and fears instead that an economic anaemia will beset her own community while the United States, far from restoring it by loans, may well aggravate it by further additions to the existing embargo on high octane petrol and steel scrap.

Japan is, therefore, endeavouring by bellicose threats to frighten America off China and out of the Western Pacific. America, says Mr Matsuoka, can have peace if she will purchase it at the expense of East Asia. The Western democracies can afford to ignore these warnings. Nothing so advances our cause in the Far East as the extent of Japan's commitments in China. If the price we were to pay for "peace" were the abandonment of the Free Chinese we should be purchasing the certainty of aggressive expansion at the price of our only guarantee against it. Our interest is the preservation of Free China. So long as the China incident is unsettled, Japan must hesitate before embarking on further wars. The maintenance of China is also our best guarantee of peace.



Reproduced by permission of the "News Chronicle"

Unity and Opposition

TWO sentences in the Prime Minister's remarkable defence of his policy last week attracted possibly disproportionate attention. Mr Churchill told the House of Commons that reconstruction was being planned to extend over a period of three years after the war, and expressed the belief that, "if we can continue on the morrow of the victory to act with the unity which we shall have used to bring that victory," great and speedy achievements would be possible. The Prime Minister may very well have intended to do no more than suggest that there should be no greater disagreement about the scope and character of the reforms that will be immediately practicable—and desirable—on the resumption of peace than there is now about the prosecution of the war. It was not Mr Greenwood's duty, he said, to set up a new order, or to make a new world. But much more than this has been inferred from Mr Churchill's statement. It has been widely conjectured that his intention was to propose a perpetuation of the present Government and an extension of the party truce beyond the limits of the war; and it is noticeable that commentators associated with the Labour Party have accorded a special welcome to the idea, as giving the leaders of the Labour movement a sure stake in the making of post-war policy. The fact that Mr Greenwood, deputy-leader of the Labour Party, is Minister-to-be of Reconstruction is taken to reinforce this interpretation of the Prime Minister's views.

It is hard to believe that Mr Churchill, with his deep-set trust in the Parliamentary process, is in fact thinking quite along these lines. While the war is on, there is obviously no time or place for the formal clash of parties. The people support the war; they trust the Prime Minister; and, for these reasons, it is possible to fold the vigilance and criticism which are still active and essential within the frame of national unity. It is, in some ways, a regrettable necessity. The House of Commons, elected over five years ago, is unrepresentative in detail. But its ill-balance can be hidden for the duration by a general zeal for the common cause. The position is tenable—even essential—because life and death are in the scales and because Mr Churchill's Government, unlike that of his predecessor, is popular and efficient. Despite the reservations of the Labour rank and file, the present Government is a coalition, a temporary expedient for winning the war. It will be judged by the fruits of its labours in that direction; and the term of its authority, like that of any other government in a democracy, will be set by its ability to continue popular and efficient in the public esteem. It is by no means an infallible government, and the power of the people to change it has been suspended, not dispensed with. No government in a democracy has a right to existence; it has only a claim.

Mr Churchill would probably not quarrel with this statement of his position, and it would be unfair to suppose that he himself wants to do more than prevent the larger interests of the community from being lost from sight among lesser creeds and interests. The danger lies rather in the views of those people who have so eagerly seized upon his words. There are two classes of these: those who have imbibed the evil doctrine that political opposition is *ipso facto* a disruptive and subversive thing; and those who see in the continuation of the present regime an opportunity for place and advantage. The former would do well to study the case of Mr Wendell Willkie. Mr Willkie was Mr Roosevelt's honest and determined opponent in last year's election. Now he is in England, to see for himself the best way to work out the policy of aid to Britain in practical terms. Mr Willkie

has not surrendered his opposition; his visit to England is a clear proof that responsible political opposition in a democracy is an aid and no hindrance to the shaping of public policy in a popular and efficient fashion. The twenty-two million American citizens who voted for Mr Willkie are not obstacles to Mr Roosevelt's programme; they rather represent so many guarantees that his programme will not be executed in an arbitrary or slipshod manner. As a political portent, Mr Willkie is neither subversive nor disruptive.

The peril of the latest totalitarian-tending arguments arises not so much from the present situation as from the unhappy history of the last ten years or so in British politics. On the one side, we had the Conservative hierarchy, unbendingly opposed to ideas from within or without likely to disturb a tenure of office and a trend in policy which were well calculated to advance the narrow liberties of the industrial and commercial baronage. On the other side, we had the Labour Party, ostensibly pledged to a policy of drastic economic and social change, but actually unwilling to take office. Time and again, from the industrial troubles of the 'twenties onwards, the leaders of the Labour movement showed themselves indisposed either to advance or to retreat. The suggestion of their extremist followers that they should stake their political future on a determination to put their Socialist programme into full operation filled them with indignation and dread. The suggestion of their Liberal neighbours that, by abating a doctrinaire programme which they never intended to execute, they could convert their backing of a solid third of the electorate into one half or more, they fastidiously refused. After 1931, the party settled down as His Majesty's permanent Opposition, well contented to be marking time. The Parliamentary process, as we know it, is dependent for its working upon the power of the people through their representatives to replace one Ministry by another; and, by the defection of the Labour Party from its political duty, democracy came to lack a leg. There were honest and able critics in plenty within the ranks of all parties, but they had no party machine or cohesion; while Mr Attlee, leader of the Labour Party, was Leader of the Opposition with a salary, Mr Churchill, a Conservative rebel, was leader of the Opposition in fact. Neither could come into office in normal times—Mr Attlee because he and his party caucus would not take the steps needed to win elections, Mr Churchill because his party caucus was against him. These were the conditions of Tory misrule.

The fact is that an alternative administration in Opposition—able and willing to become a Government, but with no wish, real or professed, to disrupt the State itself—is a necessity of sound democratic government. Indeed, one of the chief items in any really satisfactory reconstruction of the post-war world would be the emergence of such an Opposition, and certainly not its suppression. In the event, of course, the advocates of a strait-jacketed "unity" and the place-seekers may conceivably have their way, for it is hard to see where a real Opposition is to come from; but it would be a setback, not progress. An all-party Government with the full backing of a loyal but keenly critical Parliament is absolutely essential now; and the Labour leaders did their duty by coming in. But current discussion suggests that, even when the necessity has passed, the method of opposition by direct assault may still be distasteful. It may be tempting to imagine that the notorious gaps in official Conservative policy on such crucial questions as the control of trade and industry and the remodelling of the educational system could

be filled by Labour associates working "inside" and "on the ground floor"; but it is very optimistic. The material does, admittedly, exist in the ranks of all three parties for a sound and effective Opposition that could play its part in the hammering out of a new and dynamic policy. The core is probably among the "young" Conservatives, just as it was in the years of Churchillian opposition—and, earlier, in the days of Pitt, Canning, Disraeli, and Lord Randolph's rising son, in turn. But it lacks a party machine and a leader; the Conservative machine is guarded like a vestal's virtue; and Mr Eden is not likely now, after forgoing so many opportunities, to stray far from the narrow path—merely in search of the traditions of Young England.

Time and the people will tell. One of the reasons given for the desirability of freezing political activity after the war is the undesirability of another Khaki Election, all passion and prejudice. But unless a new Parliament was elected as soon as possible after the war, representation would surely become a mockery; and, if the first post-war election were to be held under some sort of party truce, it would run the

risk of not being an election at all. It would be a *plébiscite*—with something of the ill-savour that the word has mounting acquired from Napoleon Bonaparte to Adolf Hitler. It would very largely bring back to Westminster the men who are there now—not for any sound democratic reason, but because the people would have no choice. No man can judge now what the political situation will be when the war ends. Mr Churchill is completely right when he says that the utmost agreement will be essential about the reforms immediately required; haggling over interests or ideologies will be fatal. This, indeed, will be the test of democracy. But his "echoes" are no less completely wrong when they set out to commit the sovereign people in advance to a particular Government or a particular Parliament. In Europe, before the war, the movement towards one-party government was a disaster. Here, it was a sign of serious weakness; and deliberately to encourage and intensify it as a part of post-war "reconstruction," simply because in wartime it appears to be inescapable, would be a plain betrayal of the very principles upon which it is hoped to build the post-war world.

The Future of Spending

IF the national war effort can be judged by the figures of expenditure—and there are many worse *prima facie* indications—then the country is in the midst of another spurt like that of last summer. A year ago, in January, 1940, the total of Government spending, reduced to an annual basis, was at the rate of £2,275 millions a year. Three months ago, in October, 1940, it was at the rate of about £3,850 millions a year. In the first 25 days of January, 1941, it has been at the rate of over £4,680 millions a year—more than double a year ago, one-fifth larger than three months ago. It is still too early to judge whether the Budget estimates of revenue will be realised. The intake in this last and crucial quarter of the financial year would have to be about 20½ per cent. larger than last year for the estimates to be exactly achieved. So far this proportion has not been attained, though the last week showed some improvement. But, in any case, a few millions of revenue more or less matter comparatively little; it is already certain that the deficit will be of the order of £2,500 millions.

In present conditions, revenue matters less than expenditure and this year less than next. The really crucial factor in the fiscal outlook is the probable expenditure in 1941-42. That it will be larger than the present rate of expenditure is obvious; but how much larger? Expenditure increases for two reasons: because of the steady rise in the physical proportions of the national war effort; and because of the steady fall in the value of money. The former can hardly be estimated without access to secret information; the latter is slightly more susceptible of estimate. In the current issue of the *Economic Journal*, Professor Pigou estimates that the National Income rose by 25 per cent. in the first year of war. If we assume that this rate of increase of 2 per cent. per month still holds good, we shall not be running any risk of over-estimation. By this somewhat crude method of calculation, the gross National Income, which was about £6,000 millions per annum in August, 1939, must be running in the present month at the rate of about £8,120 millions and Government expenditure represents 57 per cent of it. By the same method, gross National Income on the average of the financial year 1941-42 will be at least £9,000 millions, and expenditure £5,180 millions. This is certainly a minimum figure, since it makes no allowance, either for an increase in the physical output of munitions, or for an acceleration in the rise of prices.

What can be put against this on the side of revenue? The estimated yield of revenue in the current year is

£1,360 millions. There will be certain automatic increases next year owing to a full year's operation of certain taxes (notably the Purchase Tax) which were officially estimated last July at £118 millions. It was also then stated that the effect of increasing the rate of E.P.T. from 60 per cent. to 100 per cent. would not be apparent until next year. No figure was given for this increase, but by simple proportion it can be put at about £50 millions. So far the total is £1,528 millions. But if the money figure of the National Income is rising, the yield of certain taxes will also rise. This will not be true of Customs and Excise, the greater part of the revenue from which comes from specific, as distinct from *ad valorem* duties, and will be reduced by limited consumption. Nor will it affect Death Duties. As for income tax, there will be some increase, but with a considerable time-lag. There is also a natural delay before rising values are reflected in the yield of Excess Profits Tax. A 15 per cent. increase in the total of income tax and surtax would bring in £90 millions, which must be regarded as a maximum from this source, while for E.P.T. to produce an additional £100 millions would involve a virtual doubling of the volume of excess profits. In view of these figures it would seem to be the limit of reasonable optimism to put the yield of revenue next year, on the basis of existing taxes, at £1,700 millions.

There is thus a prospective deficit—what may be called the "gross gap"—of £3,400 millions at the least, and probably more. To get the advantage of a convenient round figure, it can be put at £300 millions a month. The next step is to enquire what non-inflationary means are at hand for meeting this deficit.

The first of these is clearly savings. Thanks to the efforts of the National Savings Committee, the total of subscriptions to the various issues of Government securities are now over £100 millions a month. Not all of this, however, can be accounted real savings. There is the "difficult theoretical problem of how to treat funds which are merely re-invested in War Loan. And there is the fact, commented on in an article dealing with the clearing bank figures on page 148, that some part of the total subscriptions is made, not by saving individuals, but by the joint-stock banks, who are "creating credit." The investment holdings of the members of the London Clearing House, who do not represent the whole of the banking system of the country, increased by over £28 millions in December, while the total of subscriptions to the various War Loans was £105 millions. It is true that increasing incomes should lead to increasing savings, but the

yield of genuine voluntary savings in 1941-42 cannot be put even with optimism at more than £100 millions a month.

The second source from which resources can be drawn is the undisclosed income of various Treasury Funds. The Unemployment Fund, for example, is reported to have saved something like half its income last year; but, if this is true, it represents only some £8 millions a month. The collection of contributions under the War Damage Bill will be of the same dimensions, and most of the other funds are even smaller. The chief exception is, of course, the Exchange Equalisation Account. The figures revealed by Mr Morgenthau in Washington on Tuesday show that the dollar assets of the British Government have been drawn upon, over the whole 16 months of the war, at the average rate of nearly £40 millions a month. The counterpart of this loss of dollar assets is, of

course, an investment in sterling Treasury Bills or War Loan. But this source of relief will shortly be coming to an end, either from exhaustion or from the great reduction in American payments under the "Lease and Lend" Bill. A similar relief, derived from the excess of purchases from sterling area countries and the consequent piling up of their balances in London, can hardly produce more than £15 millions a month at the most.

When all these non-inflationary resources are added together, it is very difficult to put their combined prospective total in 1941-42 at more than, say, £150 millions a month, or half the "gross gap." There thus remains a "net gap" of a further £150 millions a month. This is the sum that has to be met by increased taxation, by induced or compulsory saving—or by inflation. It is the figure that should set the tone for the financial discussions of coming months.

A Medical Parliament

ONE upshot of the last war was that the Local Government Board became the Ministry of Health. But it was a change of title much more than of function; and one of the transformations which might well be the outcome of the pressing problems of health and working efficiency in this war is the establishment of a Ministry of Health in deed as well as in name, administering services to protect the health of the public at every point, and marshalling every resource of medical skill and experience in a single organic system. The doctors have clearly a crucial part to play in this, and the British Medical Association recently set up a "planning commission" to "study war-time developments and their effects on the country's medical services, both present and future." Most of the important medical institutions will send representatives to the commission; and the Ministry of Health and the Department of Health for Scotland have been invited to appoint observers. In fact, some sort of "medical parliament" appears to be in the making. Many of the commission's tasks will be exclusively medical and pathological. The war has offered new problems to medicine—of which the dangers of sheltering to health and the shocks due to air raids are obvious examples. But the commission intends to tackle economic and social problems as well. As the *British Medical Journal* observes, "war has thrown up into sharp relief the deficiencies of our peace-time system of administering relief to the sick and of promoting and maintaining the health of the people."

How medical science may touch directly on essential economic needs can be illustrated by a problem like that of industrial fatigue. Before the last war the view that long hours of work keep down and do not increase the power of labour to produce had nearly triumphed—after a century of industrial and political struggle. It was then a view based purely on empirical observation; and it was left to the doctors during and after the war years, 1914-18, to subject it to more precise analysis. Lengthened hours did not produce the desired increase in the output of munitions; the Health of Munition Workers' Committee was set up to consider the question of fatigue; and towards the end of the war the Industrial Fatigue (now the Industrial Health Research) Board was set up. At the beginning of this war, on the basis of two decades of intensive medico-social investigations, the warning was given that over-long hours and continuous working without rest periods should be avoided for the sake of efficient production. Even now, the Select Committee on National Expenditure finds it necessary to recommend, in its latest report, that "some reduction in hours should take place immediately, before the health of munition workers is seriously affected, as happened in the last war." The current need

for more war workers, and not just for more work from existing war workers, is as eagerly pressed by doctors as by economists and industrial experts.

But the new commission, if it is to do a useful work, will have a wider field. There are long-standing administrative problems, made more urgent by the war, to be solved. The capacity of the country's medical services to ensure the health of citizens is the prime instance. The need to prevent ill-health rather than merely to cure disease is greater than ever, and the existing system—with its specialists and general practitioners dependent upon fee-paying patients and its voluntary hospitals dependent on charity, side by side with the tax and rate-fed public health services—is being subjected to a supreme test. The medical profession, which, as a service to the public, has many of the faults of unco-ordinated individualism, is closely woven into the complicated network of two great social services which are themselves acknowledged to be defective and capable of drastic reform—national health insurance and workmen's compensation.

Here the doctors have their greatest chance. The plain truth is that the combined efforts of private medicine and public health services do not provide the community with satisfactory care and attention. Responsibility is scattered; there are gaps; and there are essential treatments which are not brought within the reach of most people. The new commission should be in a position to press for remedies, and to educate doctors themselves on the ways and means of securing the health of the whole community by bringing the greatest care to the greatest number. It can press for better provisions for the rehabilitation of injured workers; for an extension of specialist, consultative, dental and ophthalmic benefits under national health insurance; for the substitution of medical boards for the single referee in insurance adjudications; for the compulsory appointment of medical officers in factories; for the provision of useful light work for the partially incapacitated; and for the widening of the nation's public health services to include everybody and not merely the breadwinners at present entitled to health insurance.

In approaching the organisation of national health services, the doctors are taking up a task they set aside a generation ago. Long before the introduction of national health insurance, the medical profession had worked out a plan for what was called a "public medical service." Their scheme was set aside after the appearance of the Report of the Royal Commission on the Poor Law in 1909 and the National Health Insurance Act of 1911. The National Health Insurance Act, as it finally emerged, made an end to the original aim of the doctors, because, as a member of the Royal Commission on Workmen's Compensation

recently observed, "there were interests powerful enough to force their way into the scheme, although it had never been intended that they should be in it;" and health insurance became burdened with the work and inequalities of being administered by thousands of independent approved societies. In regard to workmen's compensation, too, the British Medical Association has voiced disapproval of retaining private interests as the insurance carriers of the system.

Insurance interests, however, are far from being the only private interests involved. The B.M.A., with a membership of 89,000, is one of the most important trade unions in the country, and, to a point, the protection of doctors' interests is right and proper. But

it is imperative that no "craft-guild" bias should distract the new commission from its higher aims of serving the public. Such questions as the rights and competence of general practitioners and the availability of specialists must be examined from the standpoint of national welfare and not from that of competing professional interests. In 1929 the British Medical Association published proposals for a general medical service for the nation; another scheme for a general medical service was published by the B.M.A. not long before the war. It now depends to a great degree upon the courage and impartiality of the co-operation of doctors whether this war-time opportunity is taken to make reform a reality.

NOTES OF THE WEEK

General Metaxas

Although death has deprived General Metaxas of his share in the final victory of the Allied Cause, at least he lived long enough to know that his country was providing one of the most brilliant episodes in the long struggle against tyranny, and to see in its magnificent stand the fruit of five years' patient effort. Without Metaxas, Greece's victories would hardly have been possible. He created order and unity after a period of political confusion. His wise measures of social legislation and agricultural credit gave the people a stake in their own community. He found it sunk in the indifference and apathy bred of the disasters in Asia Minor and a decade of political faction. He restored it to the magnificent fighting force we know to-day.

More Men

On Wednesday, a Royal Proclamation rendered men aged 18-19 and 37-40 liable to register for military service; and those aged 19, the 1921 class, will register on February 22nd. Thus, the full range of the men made liable for service by the Military Service Act is now liable to be called up. This step, which came to many as a surprise, follows on the Government's belated decision to mobilise the nation's entire man power for fighting or for the manufacture of fighting equipment; and the new Proclamation was accompanied by a statement to the effect that men will only be retained in their present jobs, under the Schedule of Reserved Occupations, if it can be shown that they are actually doing work of greater national importance to the war effort than they could do in the fighting services or in the direct war industries. Only men in a new category of "protected" work (which at first will be certain work in munitions, the metal industries and shipbuilding) will be *ipso facto* exempt. It should not be supposed that this sudden extension of liability to calling-up implies that the Government intends to proceed with the recruitment of a vast army, regardless of the size of the industrial army upon which the ability to fight under modern conditions of heavily equipped and mobile warfare must entirely depend. The Government has already decided, if it should be necessary, to register and call up men for war work as well as for the services; and the amendment of the Schedule of Reserved Occupations, in order to make the work actually being done the real test for reservation—an eminently reasonable adjustment—is probably intended as much as a means towards industrial mobilisation as an instrument to create an inflated army. Mr Bevin has set to work this week to hammer out with representative workers and employers the way to concentrate the maximum man power on war production. The frequent argument that it is impracticable to expand the fighting services because the industries furnishing their equipment are under-manned was, in any case, unconvincing so long as there were millions of men and women neither in the forces nor engaged in any work of real national importance. The new procedure, which includes a determined effort to replace men by women at every point in the nation's economy, should break up this pool of unmobilised labour, and the test of statesmanship in the near future will be to decide in what proportions the men released are to pass into the forces and the equipment industries, respectively.

It is true that equipment, rather than numbers, counts in modern battles. It is also true that, where equipment is roughly equal, numbers may decide the issue; and it would be fatuous to replace the delusion of an army of many millions by the absurdity of one of a few hundred thousands. The aim should still be to build up the biggest possible Army—and Navy and Air Force—that can be provided at every point with superior equipment to the enemy.

Bill No. 1776

The pressure of American public opinion behind the President's foreign policy of assisting Great Britain, Greece and China is not being allowed to relax. There has been a constant stream of testimony before the Committees of the Senate and House of Representatives which are considering the "Lease and Lend" Bill, and though the isolationists have had their say and have produced their star witness, Colonel Lindbergh, the weight of evidence has been against them. Members of the Cabinet and serving officers have alike given their opinions on the danger in which America stands, of Britain's need of assistance and of her good chance, given that assistance, of early and complete victory. The isolationists are deserting the main battlefield and giving their greatest attention to the red herring of querulous demands for "war aims." These tactics are not endangering the Bill and though the President is said to be ready to make a few concessions, they are needed to speed up the Bill's passage, not to ensure a favourable vote, which is not in doubt. The reported concessions are three in number—a limit of ten years to the powers conferred on the President, acceptance of the obligation of reporting all loans and leases to Congress and the prohibition of conveying by the American Navy—and only the last is of importance. Nothing has happened to weaken the conclusion that the United States is now virtually a non-belligerent Ally of the democracies—indeed, the arrival of Lord Halifax on Great Britain's newest battleship and Mr Roosevelt's unprecedented action in going to meet him might have been designed to emphasise that fact.

Purgings in Italy

It is difficult to sift truth from falsehood in the reports from Italy of widespread rioting and of German troop movements. The week has undoubtedly seen a great increase in the numbers of German troops on Italian soil, and the Germans, after limiting Brenner traffic to "military transport," now admit that many units have crossed the frontier. Nor is it difficult to believe that the Italian people—especially in the North—have given violent expression to their ingrained hatred for their Teutonic ally, but the German infiltration is still more a matter of aircraft units, technicians and secret police than of massive arrivals of German troops. No German infantry is reported yet on any of Albania and Africa. In the meantime, the defeats concurring of the Italian Fascist leaders, Farinacci has gone to the front, so have Ricci, Pavolini, Bottai, Gorla, and, most sensational of all, Ciano. Superficially, this

mass deportation suggests the familiar totalitarian technique of creating scapegoats. Yet it has certain remarkable characteristics. There was a purge in November, when the scapegoats were the High Command of the Army and Navy and Badoglio was singled out for a vicious attack by Farinacci. Since then the defeats have continued, the people have shown signs of violent discontent with the régime and of marked confidence in the dismissed military leaders. Moreover, Germany is taking a hand. The Nazis are not fools. They are faced with the necessity of keeping Italy upright in the war, and the gang of opportunist politicians round Mussolini have more than proved their incompetence. It would be a shrewd move to cover up a German "occupation" by bringing back the soldiers who have some military competence and enjoy the people's confidence. It is another question whether the dismissed officers would consent to serve. But Pétain is an example of the attraction the Germans can exercise upon professional soldiers, and there are—admittedly totally unconfirmed—rumours of a new Supreme Council made up of the Crown Prince, Badoglio and a German general.

Africa: The Advance Continues

The sphere of operations in Africa is extending rapidly. In Libya, Derna is surrounded and its fall is imminent. In the south of Tripoli the Free French, advancing from Chad, have made a spectacular attack upon the air base of Murzuk, during the course of which hangars, aircraft, workshops and other installations were completely destroyed. This exploit is a reminder of what Britain and France could have accomplished together if the surrender of June had not taken place, and perhaps it will not be lost on General Weygand, who, according to many reports, already regrets the earlier decision, based as it was on a false premise—the inevitability of a British collapse. Our most striking successes have, however, been scored on a new battlefield to the East. The advance into Eritrea has been even more rapid than our advance into Libya. Little over a week after the fall of Kassala our troops are closing in on Agordat, halfway between the Eritrean frontier and Massawa, on the Red Sea. We are now operating in Italy's oldest and best developed colony, where in the 59 years it has been under Italian control there has never been disloyalty or unrest. Its native soldiers, the Askaris, were the backbone of the army which conquered Abyssinia and have a high reputation among colonial troops. Yet our advance has met scarcely any resistance and no engagement has lasted more than three hours. The precipitate Italian withdrawals are perhaps due to the rapid deterioration of the situation in Abyssinia. If the whole country rises in revolt, every Italian soldier will be needed to hack a way for troops and colonists through to the coast.

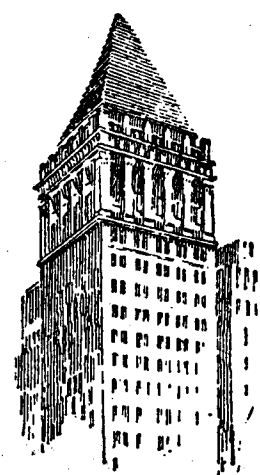
Evacuation—Official Views

A good deal of surprise will be felt at the opinion of the Ministry of Health Committee on the reception areas that, in the great majority of cases, evacuation is a

success. "The tremendous efforts made by local authorities," says their report, "by devoted members of voluntary organisations and by the warm-hearted householders themselves, cannot be adequately realised without a personal visit to the reception areas." When, however, it is considered that, so far as can be understood from the report itself, the Committee performed the spectacular, if tidy, feat of visiting seventeen counties—in four Regions—in seventeen days, it is pardonable to point out that their own personal inspection must have been somewhat cursory. But this slight air of complacency—which may, after all, only mean that the Committee started out with extreme pessimism and was relieved to find that things were nothing like so bad as they had feared—has not blinded them to the real difficulties of the evacuation experiment; and the report suggests many remedies for easing the burden on the reception areas and inducing the evacuees to stay there. The remedies are none the less useful for having been unofficially urged many times before. Co-ordination between civil and military billeting authorities; welfare facilities, that is, clubs for mothers, hostels for husbands; nursery centres and communal eating places; the requisitioning of premises, furniture and equipment; special hostels for difficult or unclean cases—almost all of these were recommended when the first evacuation broke down in September, 1939. Of more interest are the Committee's discovery that, in some districts readily accessible from London, saturation point has been reached and their recommendation that such districts should be declared closed areas to which no more official parties would be sent—unofficial evacuees only being allowed in on the understanding that they can be sent on by the reception authority if necessary. Also of significance is the reliance placed by the Committee on the regional machinery for putting the recommendations into effect, rather than on the local authorities. Thus, it is urged that the regional staff of the Ministry of Health should perform the distasteful task of requisitioning; that senior members of the staff should pay periodic visits to the local authorities; and that the regional welfare officers should be empowered to authorise on the spot the purchase of equipment for hostels and communal centres, which have hitherto had to wait for equipment from central stores. A wider use of regional powers originally, instead of giving large and drastic powers to the local authorities, which they have naturally shrunk from using, might have saved a great deal of unnecessary friction.

Education's Progress

Like the committee on evacuation, the Board of Education has decided that things are not so black as they are made out to be. In a written Parliamentary reply, Mr Ramsbotham has stated that in all the evacuation areas, excluding Southampton, there were, last December, 1,038,878 elementary schoolchildren, of whom 849,030, or 81.7 per cent., were enrolled for full-time instruction, 93,248, or 9 per cent., for half-time, 1,237 for less than half-time, and 13,185 were receiving home tuition provided by the authority. Those receiving no instruction numbered 82,178, about 8 per cent.



BANKERS TRUST COMPANY

NEW YORK

Complete banking facilities

London Office:

26 OLD BROAD STREET, E.C.2.

Incorporated with limited liability in the U.S.A.

of the total, and 48,000 of these were in London, where steps have now been taken to re-enforce compulsory school attendance. In the country as a whole it has since been revealed that 93.2 per cent. of the 4,609,000 elementary schoolchildren were enrolled for full-time instruction, and the Committee on evacuation endorses this by its statement that the great majority of evacuated schoolchildren are now receiving full-time education. These figures are most encouraging, but it may be questioned whether the situation is quite as favourable as they make out. It would be reassuring to know, for instance, that enrolment for full-time instruction necessarily means full-time attendance and that full-time education always means something more than attendance in crowded classes in makeshift premises. Even on an optimistic view, it is clear that after the war there will be hundreds of thousands of children whose education will have fallen well below peacetime standards—for what they were worth. In this connection, Mr Ramsbotham's recent statement that he, personally, would like to see the school-leaving age raised to 16 after the war is of interest, in that he implied that he could not commit the Board of Education to this view, presumably because it feels the administrative difficulties then will be too great. But surely there could hardly be a more appropriate time for such a measure, since not only will demobilisation problems be a strong incentive to keeping potential employees off the labour market, but there will also be a real need for the schoolchildren to make up for what they are losing now.

Rationing Expenditure

The views published by members of the Oxford Institute of Statistics on wartime economic policy have been consistently shrewd and realistic, and the proposals made by Mr Kalecki, in the Institute's latest bulletin, for limiting civilian expenditure follow aptly upon earlier papers on the scope and method of rationing supplies for civilian use. Briefly, Mr Kalecki's plan is to reduce total civilian expenditure by about one-sixth by limiting the weekly expenditure of each individual civilian on articles other than food to 25s. for adults and 15s. for children. His object is to set a term to what is spent on unrationed goods, and it is an error to regard this scheme as an alternative to rationing. Rationing is concerned solely with physical supplies; the aim of rations is to distribute supplies that are scarce, or likely to be scarce, evenly and to eke them out over a period; and price-fixing may be either the consequence or the cause of rationing—that is, either lowered prices may be necessary to enable individuals to purchase their rations or prices may be so low that, without rationing, official or unofficial, supplies would be taken up too rapidly. Mr Kalecki's scheme, on the other hand, is not primarily concerned with the physical distribution of consumption—except in two respects: it would restrain the tendency for expenditure baulked by rationing to cause a proportionate increase in the consumption of unrationed supplies—a tendency checked in any case by the inevitable increase in the price of these supplies; and by securing an over-all decline in total civilian expenditure, it would necessarily bring about a curtailment in total civilian consumption—a more than proportionate curtailment, in fact, because of the rise in prices.

Mr Kalecki's approach is fiscal. War economy has two facets: there is the physical transfer of goods from civilian use to military use, which involves a curtailment of civilian purchases; and there is the fiscal transfer of purchasing power from civilians to the Government. Obviously these are two aspects of the same process, and it is reasonable to argue that, if the fiscal transfer were performed with sufficient ruthlessness, by taxes and loans, the physical problem would then be set within its proper bounds and would become simply a matter of apportioning the permitted amount of expenditure between alternative channels of consumption, according to overriding military demands for various goods and to the actual state of supply. Unfortunately, the fiscal transfer has in fact been far from sufficient; there are grounds for saying that it never can be; and this means that there is much more money in the hands of civilians than they can be allowed to spend on goods, if the war effort is not to be impeded. Mr Kalecki's scheme, which amounts to a proposal to ration expenditure, is—like Mr Keynes's plan for compulsory

savings—a scheme to prevent this surplus purchasing power from passing into consumption. It is a pendant to taxes and loans; and would leave unresolved the problem of distributing physical supplies. In wartime all goods are, actually or potentially, in short supply—essential goods because of the competing demands for them and non-essential goods because it is not necessary to supply them; and the way in which Mr Kalecki's 25s. is to be distributed between clothing, furniture, travel, entertainment, tobacco and drink will still be a problem. Nevertheless, the proposal does go to the root of the matter in its attempt to prevent fiscal shortcomings from fatally weakening the real war effort; and it is a plain absurdity that solutions of such ingenuity to curtail consumption should be being worked out against a background in which civilian purchasing power—and therefore the difficulty of restraining its use—is mounting more steeply every day. The clear need for more taxes and smaller earnings (in every class of society) was never more apparent.

Criticism of War Damage Bill

The various interests affected by the War Damage Bill have now formulated amendments to certain clauses, but on the whole the measure has been favourably received in the country. There has been little criticism from tenants whose liability is limited by the Landlord and Tenant (War Damage) Act, 1939. On the other hand, the community of landlords is dissatisfied—and not without justification—for they feel that they have been singled out to bear the brunt of the burden. The National Federation of Property Owners rightly claims that the mortgagee is not called upon to bear his fair share of the contributions. The Federation suggests that all persons having an interest in property should bear an equitable proportion of the contribution. It also holds the opinion that ground rent or mortgage interest should not be paid in the case of complete destruction of property for which a "value payment" is to be made at a later date. Further, it holds the view that, in the case of tenants, liability to contribute to the compensation fund should not be confined to tenancies of a duration of seven years or more, but should include all tenancies of a duration of more than three years. Property companies are concerned, not only with the incomprehensible provision that mortgagees are not called upon to make any contributions except in the case of dwelling-houses with an annual value up to £100, but also with the failure of the Bill to make any provision for interim compensation in respect of loss of income and with the clause that prevents contributions being considered as an expense for taxation purposes. The building societies, on the other hand, as mortgagees of the smaller dwelling-house properties that are to share the contribution with the landlords, are anxious to be relieved of this liability.

The Bill reached the Committee stage in the House of Commons last week, when Sir Kingsley Wood gave further details of the function of the Treasury and of the constitution of the War Damage Commission. An amendment providing that the amount of the value payment should be a sum equal to the difference between the value of a hereditament after the execution of the works necessary to make good the damage and the value that it would have as a site clear of buildings or works and with the damage so far as it affected the site Exchequer. He pointed out that this suggestion would to the one that had been destroyed. He admitted, however, that value payments, based on the value of properties on March 31, 1939, might lead to injustice if a consider the suggestions that had been made to avoid this contingency. The present provision of the Bill, which guarantees full re-instatement in the case of properties that are repaired and a value payment that may be out of relation with the cost of building after the war in the case of properties that are not repaired or reconstructed, is discriminating unfairly between one set of owners and another. A solution could be found by arranging that every beneficiary under the scheme, whether for total loss or partial damage, should have the choice of immediate compensation on a pre-war scale, in blocked bonds, for example, or deferred compensation on a post-war scale.

Another of the amendments proposed concerned the clause providing that no compensation should be made in cases of damage amounting to less than £5. In reply the Attorney-General pointed to the immense increase in the cost of administration that the removal of this limit would involve, but he promised consideration for the suggestion that it should be possible for single owners of many properties to aggregate individual claims of less than £5.

Supply Problems in Albania

For a week now Italian counter-attacks in Albania have been attempting to restore both the positions and the morale of the Fascist troops. In the central sector of the front these have been very heavy. The Greeks, however, are quite undismayed and have even improved their position in the area where the heaviest Italian attacks had been launched. So great were the losses to the attacking troops that there are reports of strong disagreement in the Italian High Command. General Cavallero, the newly arrived—and appointed—commander-in-chief, is a thruster and believes in offensive action. The officers on the spot, headed by General Merhani, of the Fourth Army, understand the exhaustion of the troops, the difficulties of supply and the treacherous terrain. Their advice is said to include a general retreat, the abandonment of Valona, Tepelini and Berat and a new stand round Skumbi, where, under General Soddu, a new defence line was already under construction. The difficulties, however, are not all on the Italian side. The Greeks have even greater difficulties in the sphere of transport and there are specific supply problems arising from the provenance of Greek arms. Most of these came from France and Germany and no spare parts are available. The Greeks are showing a brilliant turn for improvisation. Some of the severest Greek raids on the enemy lines have been carried out with captured Italian aircraft. But supply remains the biggest single problem, and it is likely that it was an important item on the agenda when General Wavell visited Athens recently to discuss the question of further aid to Britain's allies. Captures of material in Libya have been on a scale sufficient to equip an army, and since the Greeks are already familiar with captured Italian arms it might well be profitable to arrange for a transfer if ammunition can be made available. Wilder additions to the agenda—such as a British Expeditionary Force to Salonika—may be dismissed with the stamp "Made in Germany."

The End of the Legionary State

The fighting in Roumania has subsided, but there is no reason to suppose that General Antonescu's "restoration of order" will last longer than the time it takes for the young thugs in the Iron Guard to draw breath, filch some more weapons, and return to the only work for which they have any aptitude or training—terrorism. The whole revolt is a melancholy example of the fate of a community in which all social and moral ties—even to the last tie of blood—have been destroyed. The Iron Guard's only *raison d'être* in the years before it attained power was street fighting and Jew baiting. The Nazis, by using it to break King Carol, gave it a political responsibility not one "legionary" was fit to carry. Within a month of achieving power the movement was split with the Codreanu clique and the Sima clique and the Transylvanian clique shooting each other down. General Antonescu made appeals for order, arrests were made and the disturbances quieted down. In the New Year, however, the inter-clique struggle for control within the Iron Guard grew to such a pitch of bitterness that it passed beyond all hope of control. In the recent fighting, over 6,000 people lost their lives, the country was in an uproar, and the fighting took on the scale of a minor civil war. General Antonescu has finally put an end to the struggle by suppressing all factions, by dismissing the Iron Guard from the Government (Horea Sima is probably shot by now), and setting up a purely military regime with eight generals in the Cabinet. The "legionary state" is thus no longer, and Hitler, Mussolini and the Caudillo might have spared themselves the expense of the flowers they sent to lie on the coffin of the re-interred

Codreanu. Antonescu with a military dictatorship backed by German "moral support" will, no doubt, keep some kind of state structure intact. The main bone of contention between the cliques—political power—has been removed by the dismissal of all legionaries from political power. But sporadic terrorism will continue so long as Antonescu has nothing to offer but the rigours of police rule to a disillusioned, brutalised, and cynical younger generation. Germany, it may be added, probably had no hand in the disorders. The Nazis hoped to find a stable element in the Iron Guard. Like Antonescu they were wrong.

American Blockade?

There is a new air of frankness in official circles about the state of the blockade. It dates from the broadcast appeal to the United States by the Minister of Economic Warfare some time ago, when Mr. Dalton urged the Americans not to grant financial facilities to the enemy. Now, it is even admitted, as a number of critics in Parliament and the Press have been claiming for a long time, that Soviet Russia represents a disturbingly wide corridor through the British control of German purchases and sales. Mr. Dalton himself has cited cotton, copper, brass, wheat and petroleum as commodities which are entering Russia in abnormal quantities for Germany's benefit, not usually by direct transit to the Reich, but most often by replacing and releasing similar goods of Russian origin to be sent to Germany. The new candour can obviously be traced to a desire to secure American co-operation in the main area, the Pacific, where British ship warrants and navicerts do not run. The American Dies Committee, which investigated German activities in the United States, went so far as to suggest that, in the first year of the war, more American assistance was given to Germany than to Britain; and, however improbable this allegation may be, it is welcome news to know that the United States authorities—in consonance with the approved policy of full aid to Britain—are now considering the question of the supply of dollars and American exports (including appreciable Latin American sales) to Britain's enemy. Not the least useful first fruit of Lord Halifax's mission would be the dosing by the American non-belligerent of an unfortunate gap in the fortress line of our economic warfare.

Determination of Needs

The Old Age and Widows' Pensions Act, which was introduced a year ago, took up more Parliamentary time than any other piece of legislation introduced by the Government since the war began—though the War Damage Bill may beat it. The long delay over such a relatively small measure was due to the uncompromising attitude of Labour, then in Opposition, to the institution of a household means test in determining the amount of supplementary pensions to be paid by the

INSURE WITH



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

Assistance Board. In August, when the Act came into force, the cry was raised again, and far more criticism was expressed about the 340,000 claims for supplementary pensions which were rejected after a household mean test than rejoicing over the million odd which were allowed. Since then, however, Labour has gained its point, and the Determination of Needs Bill, which proposes to substitute a test of personal need for a test of household means, for both unemployment assistance and supplementary pensions, was introduced in the House of Commons on Thursday of last week. But though the personal need of the applicant is to be the new basis, distinctions are drawn between his needs as a householder in a home where expenditure is shared by other members, as a person living alone or with strangers, or as a member of a household though not himself the householder. Thus, though the resources of members of the household, other than the applicant himself and any dependants living in the home, are not to be regarded as resources of the applicant, a contribution by, say, a son earning 20s. a week or over to household expenses will be assumed and will be taken into account to a normal maximum of 7s. a week. By another rule, a non-householder applicant will not be considered as having to pay for his board and lodging unless the income of the householder is below £5 a week if he has a dependant, with an increase of 15s. for each additional dependant. A householder with a wife and two children would, therefore, have to have an income of £6 15s. a week before he could be assumed to be giving free board and lodging to a relative in need—in which case the relative in question would be given no supplementary pension and an unemployment allowance of only 5s. a week. Otherwise, applicants will be enabled by the Assistance Board's grants to make a contribution to household expenses. The proposed regulations, which by an important precedent will be available to Parliament when the Bill is discussed, will be awaited with interest; but it is already quite clear that the new Bill, besides going a long way towards codifying our social service legislation by amalgamating the tests for unemployment assistance and supplementary pensions, establishes the important principle that persons in need are the responsibility of the State and not of their families.

The second part of the Bill rectifies a misunderstanding which arose from the Chancellor of the Exchequer's Budget speech last April. He said that war savings would not be taken into account in the assessment of means, a statement which prompted some people to realise their pre-war savings and reinvest the proceeds in Government securities. The previous Bill, which excluded such savings, was dropped when the misunderstanding on what constitutes a war saving was realised; and it is now proposed that in enacting the Chancellor's statement no pre-war saving which has been realised and reinvested after August 14, 1940, the date of the second reading of the first Bill when the misunderstanding was explained, will be counted as a war saving. After that date, savings must be new savings before they qualify for exemption from the needs test.

The Land Leeches

In peacetime, the great bar to town and country planning is the price of land. On the face of it, the powers of local authorities to prescribe the use to which land may be put, under planning schemes, are considerable. Land can be earmarked for development, redevelopment or conservation. But the cost of compensation to owners—genuine users of the land or, perniciously, pure speculators—and the different valuations of land for different purposes represent formidable obstacles in practice. Now there is every indication that a movement is on foot which will intensify these old difficulties when the problem of replanning the bombed areas comes to be solved. Land in these districts is being bought to sell again for redevelopment, and the speculators are plainly determined that, if the community is to have new cities, it will have to pay through the nose for them. It is the best of news, therefore, to learn that Lord Reith, the Minister of Works and Buildings, is working on plans to frustrate these pirates, and it should scarcely be possible to take the wind out of their sails without laying down principles of general application, which will prevent ordinary peaceful planning from being held to ransom in the future as it has been in the past. The obstacle to be surmounted, apart from mere

money-grabbing speculation, is the idea that an owner is entitled to compensation, not for the use to which his land is actually being put, but to the most profitable use to which it might conceivably be put. In dealing with the "grave-snatchers" of the scarred cities, Lord Reith's newly-announced committee under Mr Justice Uthwatt has an excellent chance to open up new channels for the betterment of the face of Britain.

The Daily Worker

It was a foregone conclusion that an overwhelming majority of the House of Commons would approve the action of the Home Secretary in summarily suppressing the *Daily Worker*; the final vote was 297 to 11. It was more surprising that no more than 6 votes were recorded for the words in Mr Bevan's motion expressing regret that the more formal process of warning, prosecution and trial had not been used. In the middle of last summer the defence regulation used in this case by Mr Morrison, which gives the Home Secretary power to close down a newspaper without warning and without a chance for the defendants to reply to the charges laid against them, was received with suspicion and some apprehension, not only by the Press, but also by most supporters of civilian liberties; and the critics' fears were only allayed by the understanding that the regulation would not be used except in circumstances of exceptional emergency. The *Daily Worker* is, admittedly, an exceptional publication, and the complacent attitude of most liberal opinion is perhaps best summarised in the frank statement of the *News Chronicle*, that "if it had been any other paper . . . suppression without proceedings would have raised a storm of protest." This is surely somewhat disingenuous, for there is no reason in either logic or equity why there should be any discrimination in the administration of law; equality before the law stands as a basic principle, and what is sauce for the *Daily Worker* is sauce for the *News Chronicle*—or the *Times*, or *The Economist*—as well. There remains expediency, or *raison d'état*, to justify the eighteenth-century procedure used by Mr Morrison. The Home Secretary says there was no time to lose. This is wartime; the offending newspaper had been habitually publishing matter deliberately intended to impede the war effort; and it had been given a long run. All this is perfectly true. The fact is that the *Daily Worker* had been too tolerantly treated. Sir John Anderson's warning of last July would not count for purposes of prosecution because it was "unofficial," and the need for hasty and arbitrary action now arises from the absence of more formal steps to curb the rake in the earlier stages of his suicidal progress. In itself, the episode is unimportant, for it appears that financial stringency might have forced the little-read *Daily Worker* to go out of business very soon in any case; but, as a precedent, the case is important. For all their reservations, most newspapers—the *Evening Standard* is a notable exception—have accepted what could be a most damaging precedent with remarkable smugness.

Shorter Notes

The Governments of Great Britain, Australia, New Zealand, South Africa and India have approved the proposal to establish an Eastern Group Supply Council, which was recommended by the Delhi Conference. Sir Archibald Carter, Permanent Secretary to the Admiralty, will represent Great Britain and be chairman of the Council.

By the Government's amended scheme for pensions and allowances for members of the mercantile marine and fishing fleets, compensation will be given at the same rates as those applicable to equivalent ranks of the Royal Navy. It has also been decided to introduce a dependants' allowance scheme for members of the women's services.

This week's announcement of shipping losses shows a rise in the week ended January 19th to five British ships of 34,772 tons and six Allied of 23,440 tons, a total tonnage of 58,212. This is the highest loss for just over a month.

THE WORLD OVERSEAS

Supply Difficulties in Canada

(From Our Ottawa Correspondent)

December 20th.

OTTAWA continues to put out highly optimistic reports about the progress of the war effort, but there is a growing impression that there is still a lack of co-ordination in the work of the departments concerned with the programme. Some co-ordinating committees, which have lately been established, are full of zeal, but there is still disturbing evidence of a confusion of efforts and objectives. For example, quite apart from the needs of the Royal Air Force, more aircraft are needed in Canada for the Commonwealth Air Training scheme, but there is the strange case of the huge aircraft plant of the National Steel Car Company at Malton, near Toronto, with which the *Financial Post*, of Toronto, dealt in its issue of December 14th. First built in 1938 and extended in 1939, it cost \$2½ millions to construct and is fully equipped with modern machinery for the manufacture of aircraft. The *Post* alleges that at no time has more than a fraction of the capacity of this plant, which, working on a three-shift day, could employ 9,000 men, been utilised. It says that at present only 1,800 men are working at it and that about half of these are engaged in building a type of plane now obsolete. The paper then points out the curious anomaly that, while this aircraft plant is standing more than half idle, the Government has announced the construction of a costly new aircraft plant at London, Ontario, which cannot possibly be in production for many months.

One argument is that the war programme continues to be handicapped by the fact that there is no standardisation in armaments and supply between Canada and Britain, on the one hand, and the United States, and that little headway has been made towards co-ordination to ensure the most effective use of each country's resources of machine tools, raw materials, plant facilities and labour. Elaborate plans have been worked out for the manufacture of the American type of cruiser tank on an extensive scale in Canada, but the scheme has run into difficulties which it is hoped will be temporary. But, in spite of the obvious need for Britain to have British types made in Canada because they cannot be made in America, there is a feeling that Canada can no longer be tied to Britain in the matter of "military standards," and that the obvious course is to develop common ones with the United States. It is understood that a plan is under consideration for the Permanent Joint Defence Committee to extend its work into the field of supply. Two members, who were qualified experts on the industrial capacity of each nation, might possibly be added to the Board, but an alternative suggestion is that a parallel board should be created, manned by prominent industrialists or persons engaged on the procurement side of each country's war programme.

A Wage Plan

The Federal Government has taken indirect measures to check any spiral rise in wages. The plan, which has the approval of the National War Supply Board and has been endorsed by representatives of both capital and labour, aims to anchor wages to the cost of living. Whenever the cost of living rises by 5 per cent. workers will be able to claim an equivalent bonus, which will be adjusted quarterly and will be diminished if the cost of living falls. The workers will have the alternative of choosing as the basis for calculations either their present rate of wages or the rates prevailing in the period 1926-29, whichever is the highest. It is hoped that most of the readjustments will be achieved by voluntary agreements, but, wherever this proves impossible, the Government will appoint conciliation boards which will

base their decisions on the principles laid down. It now appears that the Government itself will be forced to show an example by conceding a bonus to a substantial number of its own civil servants, as the cost of living has risen 6.2 per cent. since September, 1939, and few of them have had any increase in wages or salaries.

The Bureau of Statistics in its first estimate of the value of Canada's principal field crops for 1940 gives it as \$648,286,000, a decrease of 3 per cent. from the revised gross value of production for 1939, but except for last year's figure it is the highest recorded since 1930, when the value was \$662 millions. The actual volume of production was substantially greater than in 1939, but the increase was offset by lower prices, the average farm price of wheat being 51 cents per bushel, compared with 54 cents. The closure of navigation on the Great Lakes and the St. Lawrence is causing wheat stocks to pile up, and for the week ended December 6th the visible stocks of Canadian wheat amounted to 471½ million bushels, compared with 349½ million bushels for the same week of 1939. The Canadian Wheat Board has now made general the increase, from 10 to 12 bushels per seeded acre, in the quota of wheat which individual farmers are allowed to deliver to the elevators. This will permit the delivery of an additional 25 million bushels of wheat and the distribution of about \$12½ millions more in the prairie provinces.

High Business Activity

Canadian business has now finished the process of readjustment to winter conditions, and the predictions that it would move to higher levels during the last quarter of 1940 are being fulfilled. A survey of business conditions covering the first ten months of the year, which the Bureau of Statistics recently published, places the index of the physical volume of business for this period at 143.5, compared with 120.5 during the same period of 1939, a gain of 19.4 per cent. The index of manufacturing production was 151.1, compared with 123.1. Moreover, a preliminary survey covering November shows a "spectacular" advance during the month, which has brought the index of the physical volume of business up to 156.7, compared with 133 in November, 1939. For the eleven months ended November 30th, the total Canadian output of steel was 1,761,201 tons, a gain of nearly 375,000 tons, or 48.3 per cent., over the figure for the same period of 1939.

Unemployment continues to decline steadily, and on November 1st the employment index of the Bureau of Statistics had risen at 139.2 to the highest figure ever recorded.

The Good Neighbour Policy

[FROM OUR NEW YORK CORRESPONDENT]

December 12th.

In the course of the autumn, the Good Neighbour Policy developed financial aspects on a substantial scale. In this, two different agencies have taken part. In the early autumn the funds (or availabilities) of the Export-Import Bank were increased by \$500 millions, and from these funds the bank has made a \$20 millions loan to

Brazil to assist in expanding its local steel industry, a \$60 millions loan to Argentina and one of \$7.5 millions to Uruguay. These latter are not additions to, but substitutes for, credits of \$20 millions and \$4 millions, extended earlier in the summer and unused.

In addition, the Treasury has made to Argentina a loan of \$50 millions from the Stabilisation Fund. The object of this loan has been stated as the stabilisation of the Argentine currency, but it appears that the idea is rather the liquidation of the Argentine exchange position. In September, the Argentine position had become so tight that Argentina (on September 19) found it advisable to declare a temporary exclusion (since removed) of imports from the United States. It is probable that the "stabilisation" loan will unfreeze the Argentine position—a position which, by the way, had been in part at least occasioned by the payment of British sums, due to the Argentine, in "blocked sterling."

A "Continental" Approach

At the same time that the United States was moving actively to further its commercial, political and financial relations with the several countries of South America (the so-called hemispherical policy), the nations of South America have been developing a "continental" policy of their own.

The geography of South America is utterly unlike that of North America. In North America it was conducive to integration on a large scale; in South America it was conducive to disintegration. Overland communication in North America has always been geographically easy, and in South America geographically difficult. It was easier for a South American country to trade with Europe or North America than with another South American country; and its products, being generally agricultural or extractive, were the complements of North American and especially European products. But three recent forces are affecting the ancient status. The radio and the aeroplane facilitate communication between areas separated by distance, mountain, desert and jungle; and the industrialisation of certain parts of South America is gradually increasing the internal complementary economy. The first major definitive step resulting from this is the Argentine-Brazilian trade agreement. As yet, it is understood that it is an agreement only "in principle"; but the principle is extremely interesting and seems to be a promising enterprise of imagination. It is understood that it is premised on the idea of the complementary economy, not only as of the present, but projected a certain distance into the future. If this agreement in principle is put into effect on a large scale it may prove of great significance. It is understood that Argentina is negotiating similar arrangements with Uruguay and Chile.

All these measures are embryonic; it is too early to appraise their ultimate results or even to distinguish between the possible and the probable. The general tendencies at work are clear enough—the hemispherical policy; the growth of a South American continental consciousness (one could hardly call it solidarity); and the evolutionary process of industrialisation, notably in Argentina and Brazil. The general impediments are also obvious—climatic and geophysical. At the moment, one could say that one marked consequence of the European war to date has been for North and South America to draw closer together; and for the units of South America to draw closer to each other.

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., V.A. Bog, Esq., Vice-Presidents.
Jackson Dodds, G. W. Spinney, Gen. Managers.
(The Most Honourable The Marquess of Willington, P.C.,
G.C.S.I., G.C.M.G., G.C.I.E., G.B.E. (Chairman).
F. R. S. Balfour, Esq., Sir Hardman Lever, Bart., K.C.B.,
Sir Frederick Williams-Taylor.

London Offices: 47 Threadneedle Street, E.C.2 (Edward Pope, Manager)
9 Waterloo Place, Pall Mall, S.W.1 (J. H. Pangman, Manager)
The Bank undertakes general banking business and with its numerous branches offers special facilities in Canada, Newfoundland and the United States.

BUSINESS INDICES (Federal Reserve Board.* Unadjusted for seasonal)	Nov., '39 Oct., '40 Nov., '40†		
	Nov., '39	Oct., '40	Nov., '40†
Industrial production (total)	126	134	135
Manufactures (total)	126	136	137
Durable	118	155	157
Non-durable	123	122	121
Minerals	123	122	121
Construction contracts (total) ..	74	90	92
Residential	59	82	80
All other	87	97	102
Factory employment (total)	103.9	110.1	...
Durable goods	98.3	109.9	...
Non-durable goods	109.2	110.2	...
Factory payrolls (total)	101.7	114.5	...
Durable goods	101.1	122.2	...
Non-durable goods	102.4	105.9	...
Freight car loadings (total)	83	86	84
Miscellaneous	91	100	95
Department store sales	106	101	116
Department store stocks	82	79	...

* 1935-9 = 100 for industrial production; 1923-25 = 100 for other series.
† Preliminary.

The actual level of production is of course significant; but just as significant is the fact that this has been the longest-sustained period of high production for ten years. The maintenance of production and payrolls at a relatively high level for a long time has implications quite different from the brief spurts and ephemeral boomlets of the past decade. As yet, some of the customary phenomena have been absent; there has been little disposition to capitalise this activity in either the stock market or the real estate market, although it is understood that individuals in numerous cases have already manifested a willingness to use their increased earnings as a basis for commitments.

Economic Difficulties in Transylvania

[BY A HUNGARIAN CORRESPONDENT]

January 21st.

THE Transylvanian territory which has been returned to Hungary increased the number of the Hungarian population by two million. It is a difficult task to reorganise the economic life of this returned population, because the twenty years which have elapsed since the peace treaty of Trianon have left their marks. All the railways and other means of transport have been organised with a view to orientating economic life towards Roumania. Now, after the return of the territory to Hungary, a new order has to be introduced into the system of communication, in order to direct Transylvanian economic life towards Hungary. There are other profound adjustments to be made. The raw material for serving the power system in Roumania was naturally mineral oil. Hungary imports oil, and has to be economical in its use. She now intends to transform the whole Transylvanian industry for running with coal and wood. A further difficulty arises because Roumania, before surrendering the Hungarian part of Transylvania, transferred considerable economic investments into the Roumanian part of Transylvania. The whole problem has, moreover, been complicated by the fact that the last Transylvanian harvest was a very poor one, and the Hungarian Government was forced to supply foodstuffs (and also fuel for the factories) and to take prompt measures to rescue this year's harvest. More than 450 waggons of seeds have been sent to Transylvania by the Hungarian Ministry of Agriculture.

Economic reorganisation is for the time being partly in the hands of the military administration. This administration has established, under the name "Distributia," eight centres in Transylvania, which supply the retailer with stocks. The retailer has to sell under the control of the military authorities. The "Distributia" centres, which are established in the eight biggest towns of Transylvania, are provided, though somewhat irregularly, with supplies of oil, gas,

oil, petroleum and machine oil. Prices of oil and petrol are stabilised at the same level as in Hungary.

It has proved beyond the power, even of the military, to fit the Transylvanian factory system into the Hungarian system. Methods of production are widely different, and despite the reunion the Transylvanian industry has decided to work as a separate organisation. It does not want to amalgamate with the Hungarian industrial corporative system.

Australia's Budget

[FROM OUR SYDNEY CORRESPONDENT]

December 1st.

LAST May the Commonwealth Treasurer gave a preliminary outline of the Budget for the financial year 1940-41. He stated that war expenditure in Australia during the year would be £A79 millions and that taxation would be increased by £A20 millions to meet the bill. These figures were swept aside in the record Budget introduced last week. Commonwealth Government expenditure from all sources is now estimated at £A276 millions, and, of this, £A143 millions will be war expenditure in Australia. War expenditure overseas will be £A43 millions, making a total of £A186 millions to be spent directly on the war.

The enormous increase in the Budget estimates reflects the huge extension and rapid acceleration of Australia's war commitments following the collapse of France. It is proposed to obtain £A150 millions by taxation, and the consequent increase cannot fail to cause far-reaching readjustments in the economic life of the Australian people.

The Treasurer proposes to find an additional £A31.1 millions from taxes in the remaining seven months of the current financial year. To do so, he intends to impose considerably heavier taxes in both the direct and indirect fields. Rates of income tax on individuals have been raised to yield an extra £A17.7 millions; company tax should yield £A5.8 millions more; while sales tax and Customs and Excise are expected to return an additional £A7.6 millions. These heavier taxes, added to the revised estimates of yields from the increases imposed last May, make a total of £A45.1 millions of new taxation in the current financial year. Direct taxation accounts for £A28.3 millions, and indirect taxation for £A16.6 millions of the increase.

The higher income tax introduced in the Budget covers a very wide field. The sweeping change caused by reducing the statutory exemption from £A250 to £A150 means that the single basic-wage earner will pay income tax at the rate of sixpence in the £, and many lower income groups, hitherto exempt from Commonwealth income tax, will now be included. In his Budget speech the Treasurer estimated the incidence of income tax on various income groups in a full year as follows:—

	% of total Incomes	Total Income of Individuals £A millions	Commonwealth Income Tax Assessments £A million
Higher Incomes (over £1,000)	11	85	20
Middle Incomes (£400—£1,000)	19	143	8
Lower Incomes (under £400)	70	517	5
	100	745	33

Comparisons with rates of taxation in Great Britain indicate that incomes up to £400 a year will now pay a higher rate of income tax in Australia than in the United Kingdom. Further, there is the burden of increased Customs, Excise and sales tax.

It may be argued that the new taxation falls too heavily on the lower and lower-middle income groups, and not heavily enough on the higher groups. There are, however, many factors to be considered before this view can be accepted without qualification.

The new indirect taxes are not levied on basic food-

stuffs and services or on commodities essential to primary production. The basic wage, which moves according to variations in the cost of living, should thus not be very greatly affected. These taxes have been designed to reduce consumption. The heavy imports of the past two years point to the urgent necessity for doing this. The lowest income groups will undoubtedly have to reduce their total consumption (not consumption per head) more drastically than the higher groups. When the £A517 millions of income in the group below £A400 a year is compared with the £A143 millions and £A85 millions in the middle and upper groups, it is apparent that steps must be taken to reduce total consumption at the bottom if resources are to be appreciably diverted to war production.

Expansion of Secondary Industry

There is a further important point. The big expansion of secondary industry will greatly increase the number of skilled artisans, who come into the middle income group. They should be able to make important contributions to revenue. Finally, the Government will rely largely on bigger incomes to subscribe to defence loans. By doing so, their consumption will also be reduced and the Government's purposes will be achieved.

The Government has consistently opposed undue expansion of credit with the inevitable risk of inflation. The severity of the Budget indicates that, in the Government's view, credit expansion has proceeded to the limits of safety, and that the time has now come to divert resources from peace to war uses by direct reduction of consumption. The sincerity of its purpose is evidenced by the fact that the Commonwealth Budget will absorb about 30 per cent. of the national income. With the State Budgets added, total public expenditure in Australia in the current financial year is likely to be nearly 50 per cent. of the national income.

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 & 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.	Rt. Hon. the Earl of Selborne, K.G.
Edward Clifton-Brown, Esq.	Sir Roderick Roy Wilson
Robert E. Dickinson, Esq.	Brigadier-General Sir Samuel Herbert Wilson, G.C.M.G., K.C.B., K.B.E.
I. F. G. Gilliat, Esq.	

General Manager in South Africa—Milton Clough

Deputy General Manager in South Africa
R. W. Normand

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

London Manager—Ralph Gibson Secretary—H. Dales

Head Office: 10 CLEMENTS LANE, LOMBARD STREET

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

Telegraphic Address: Africorum, London

London Wall Branch: 63 LONDON WALL, E.C.2

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

New York Agency: 67 WALL STREET

EXECUTOR AND TRUSTEE BUSINESS CONDUCTED

COMMERCIAL SERVICE

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

THE BUSINESS WORLD

The Growth of Bank Credit

THE tale of the bank balance sheets for the end of 1940 and of the chairmen's comments on them and on the general banking position—delivered this year on paper and not in person—is now complete. Out of it emerges one dominating factor: the growth in the volume of bank credit over the year. The movement has carried the total of the banks' resources to the highest levels yet attained. It provides the motive for a considerable part of the various chairmen's explanatory and defensive comments. The explanation of the phenomenon focuses on one point: the extent of the banks' direct participation in financing Government expenditure. The defensive aspect of the chairmen's comments is more particularly concerned with the charge of profiteering which, in some quarters, has been levelled against the banks on the reasoning that for the past year they have had such greatly increased resources at their disposal.

Half explanatory, half defensive is the stress laid by some of the bank chairmen on the element of duplication and unreality which enters into this growth of the apparent volume of bank credit over the past year. Longer postal delays and the transfer of the greater part of the London clearing to provincial tranquillity and safety have not merely swollen the total of cheques and other items in course of collection at any one time; they have also expanded the amount of items in course of being cleared as between the various branches of each bank. It is unfortunate that the true dimensions of this fictitious element in the growth of bank deposits cannot be exactly determined. This is due to the fact that only two of the eleven clearing banks, namely Lloyds and Martins, have followed the recommendations of the Cunliffe Committee in showing such inter-branch clearing items separately as "items in transit" in the balance sheets. The other banks include them with "advances and other accounts." During 1940 cheques in course of collection rose by £11,086,000. If one may take the experience of Lloyds and Martins in the matter of their inter-branch clearings as being representative of the clearing banks as a whole, the items in transit for the 11 clearing banks must have risen by about £22,600,000. Thus, of a total increase in deposits, amounting to £359,083,000, some £33,700,000 was accounted for by such duplication. The proportion is by no means such as to distort comparison or grossly exaggerate the extent of credit inflation which has actually occurred. Nevertheless it is not surprising that some of the bank chairmen should have felt constrained to draw attention to it in the course of their reply to the charge of profiteering out of the conditions created by the war.

The rise in bank deposits over the year 1940 is, of course, entirely due to the direct use of bank credit in helping to fill the void of the budgetary deficit. As against the true expansion in deposits of about £325,000,000, the new item of Treasury deposits alone had by the end of the year risen to £313,500,000; in addition investments had risen over the year by £162,138,000. These two items alone more than account for the expansion in deposits; but they do not by any means exhaust the banks' financial participation in the war effort. Thus, while the holding of bills discounted has fallen by £69,004,000, this is a movement which must be wholly interpreted in the light of the reduction of commercial paper circulating in the London market. If we may generalise on the basis of the experience of those banks which differentiate in their balance sheets between Treasury and commercial bills, we can assume that the decline in the total bill portfolio veils a modest increase in the total of Treasury bills held by the clearing banks.

Equally reticent and, indeed, misleading concerning the help given by the banks to financing the war effort is the decline of £96,008,000 shown by the item of advances over the year 1940. The persistent decline in advances has repeatedly been explained during the course of the past year. It reflects the increasing intrusion of Government departments, trading in markets which previously were largely dependent on bank credit, and the restrictions placed by the war on certain industries, such as building, which before the war were large users of bank credit. These factors and the restrictions placed on personal borrowing from the banks would explain a decline in advances considerably greater than the figure revealed by the latest balance sheet comparison. Within this contraction there has occurred a considerable redistribution of bank advances, and the amount lent by banks to firms engaged on war work of every kind has in fact been several times multiplied during the year. One of the bank chairmen suggested that the greater part of the total of bank advances now outstanding was being used directly in financing war work. If in addition we take due account of the short loans made by the banks to the discount market against the security of Treasury bills and short-term Government bonds, and if we add to the tally the cash in hand and at the Bank of England, which is in effect an interest-free loan to the Government, we shall begin to appreciate how completely the banking system is now harnessed to the task of Government finance. The drift from commercial banking to this new and more stereotyped form of activity may not be to the liking of all those who have in fact had to witness it at the closest quarters. But it is an inevitable and necessary accompaniment of transition to a total war economy.

Needless to say, the cash basis has faithfully kept pace with the growth of credit, and the latest cash ratio of 11.59 per cent. compares with one of 11.24 per cent. at the end of 1939. This has not been the banks' doing; the cash has been provided for them. Equally independent of their volition has been the tremendous improvement in the liquidity of their assets structure over the year, which has been the direct result of the reliance of the Treasury on six months' deposits from the banks for meeting its current needs. Given the rediscount facilities attaching to these Treasury deposits and their nominal six months' currency, the banks have been fully justified in counting them among their "quick" assets. The ratio of these "quick" assets to total deposits (omitting the transit items on both sides) has risen over the year from 33.7 to 40 per cent. The days of strain in the early part of 1939, when this percentage dipped below the conventional danger line of 30 per cent., have been left far behind, and from the point of view of banking profits the pendulum is, in fact, swinging rather far the other way.

The growth of bank credit and its genesis in Government financing appear to have made the bank chairmen as a whole peculiarly sensitive to the charge of profiteering, a charge based on the growth of resources which, as the advocates of Social Credit are never tired of telling us, have been created without cost to the banks. It is quite true that the whole of the additional credit represented by the growth of deposits has found its way to current accounts, on the bulk of which no deposit interest is paid. The Bank of England Summary, which gives figures up to November, shows that over the first eleven months of the year the clearing banks' fixed deposits fell by £12,000,000, while current accounts rose by £273,000,000. None the less the bank chairmen who took up this charge could point out that increased

deposits require increased services to be rendered by the banks (though possibly not in proportion) and that the cost of these services has risen very substantially in wartime, when records have to be duplicated, when the process of cheque clearing is complicated, when personnel charges are necessarily rising. Mr. McKenna asserted that the net cost of servicing current accounts (presumably after allowing for service charges made to customers) is greater than the present interest allowed on fixed deposits. If on the other hand it be realised that the gross return on the additional resources invested by the banks last year (allowing for increased cash and items in transit on which nothing is earned) was rather less than 1 per cent., it is apparent that the banks' profits do not rise in proportion to the total of their resources.

The declared profits certainly confirm this conclusion. And if it be contended that there can be wide differences between published and true profits, the banks can point out that as a whole they have not been called upon to pay Excess Profits Tax. Mr. McKenna asserted that the Midland Bank had not been liable for this tax and this in all probability holds true of all the big banks. The Inland Revenue has considerable experience in the delicate task of ascertaining true profits.

It remains to point to a weak chink in the armour of the banking position, namely, the rate at which the investments have recently been growing. Their increase for the year is £162,818,000; but of this as much as £135,236,000 occurred in the last six months of 1940. Admittedly the banks have given their full support to War Weapons Weeks throughout the country, encouraged by pressing appeals to play their part and in the full conviction that they were doing their duty. But one must seriously question whether the 2½ per cent.

War Bonds or any other of the Government's tap issues are a fitting vehicle for the expansion or creation of bank credit. It is an expensive basis for such expansion, and if utilised for this purpose to a much greater extent it would provide some justification for accusing the banks of extracting excessive profits out of the peculiar conditions created by the war. The warning should be uttered, because the temptation to expand investments of a comparatively high-yielding character is likely to grow. Such temptation is inherent in the extraordinarily liquid position in which the banks now find themselves; it may gather strength from a further reduction in bank advances. If the banks answer that the cost of servicing the additional deposits thus created makes it imperative that they obtain a gross return of 2½ or 3 per cent. on some part of their additional assets, the counter must be that the facilities and service granted to depositors should be paid for by the depositors themselves and not subsidised by the Exchequer. If it is necessary, let there be a small charge for clearing cheques; let there be a general increase in the charges made for helping what are now unremunerative accounts; let there be an end of the many gratuitous services which a customer now expects from his bank. If the banks act in concert in this matter they need have little fear of losing clients and their deposits. And if the new current accounts become really self-supporting the credit thus created can be given a less expensive counterpart than the new medium-term securities with which the banks are now in process of filling their investment portfolios. It would be wholly wrong if the expense of doing banking business were allowed to override the principle that purchasing power newly created to finance the community and based on the Government's credit should not bear more than the most nominal rate of interest.

Finance and Banking

Credit Position Eases

The spasm of tighter credit which suddenly developed last week has proved short lived, and this week the position in the money market has been gradually reverting to normal. The incidence of heavy tax payments has again been felt during the week and has been accentuated by calling on the part of several of the clearing banks which have been making up their January balance sheets. On the other hand the help given to the market last week by the special buyer has made itself more felt, and further purchases from this quarter were reported on Monday of this week. Since then no official help has been required by the market, which has found with the clearing banks all the outlet it required for the few bills it wished to sell. Last Friday the market only obtained 28 per cent. of its applications for Treasury bills, and this fact, as well as the incidence of payments for the new bills, has helped the market during the middle of the week. The bills to be paid for this week were dated Monday, Friday and Saturday, the syndicate going for the 89-day bills and thus getting a slightly better rate of discount than in any week since the November 29th tender.

The Bank return reflects the easier position. The note circulation shows a very small rise of £777,000 and the Reserve is down by almost the same amount, but the bankers' deposits show the fairly substantial rise of £12,757,000. The main factor in this expansion has been the open market operation of the Bank, whose Government securities have risen by £6,965,000 over the week. Public deposits, though down by £2,986,000, are still at the high level of £32,374,000 in preparation for the large February 1st dividend disbursements.

Floating Debt Changes in January

The floating debt changes between the end of 1940 return and the latest monthly Treasury statement, dated January 25th, are on balance the smallest revealed for a year past. The total floating debt over this

period has risen by £21,445,000 only—a figure whose modest dimensions reflect the seasonal spurt in revenue payments and the good showing made by the public's subscriptions to the various tap issues of the Government. During these 25 days the £50,500,000 of Ways and Means advances from the Bank of England were repaid, while on the other hand a further net amount of £28,000,000 was borrowed from the banks on six months' deposits. These are the only changes in the floating debt which affect the market. The outstanding amount of Treasury bills issued through the tender has remained constant (taking end of week figures) at £845,000,000. The tap bills have risen by a further

Exports & Imports

While the war has increased the already vital need for exports and imports, it has, at the same time, necessitated the introduction of numerous regulations and restrictions which add considerably to the trader's difficulties.

The Westminster Bank maintains specialized departments where its customers may obtain expert advice and assistance in dealing with such problems as arise, and it strongly advises those who are exporting or importing to consult it as soon as their intentions are known. Information is also available regarding Documentary Credits—so necessary to the financing of war-time trade.

Further particulars may be obtained from the Manager of any branch or from

WESTMINSTER BANK
LIMITED

Foreign Branch Office: 41 Lothbury, London, E.C.2

£33,900,000 (again taking end of week figures), while Ways and Means advances from public departments show an increase of £10,045,000 for this period. Thus the expansion in the floating debt has been more than accounted for by the investment of funds accumulating in various Government accounts. The most important of these is presumably still the Exchange Equalisation Account. The Account's losses of dollars seem, on the showing of these figures, to be losing momentum—a phenomenon attested by even stronger corroborating evidence than that of the tap bill figures.

An interesting accounting problem will arise when the gold and dollar resources of the Account finally give out, and the support to the financing of war expenditure hitherto provided from this source is given direct by the United States through whatever scheme emerges from the Lease-and-Lend proposals. Will the expenditure covered by these American supplies be included in the Exchequer returns, and will its counterpart be found in some new national debt item? If the loans are to be *real* operations expressed in terms of the materials and machines supplied, will some monetary expression be given to them for the purpose of our own accountancy? This, incidentally, does not appear to have been done on the occasion of the exchange of U.S. destroyers for leases on naval bases. The answers to these questions will enliven discussions of the Exchequer returns later in the year.

Financing Expenditure

The following table gives a summary of the Exchequer returns for the financial year to date (January 25th), and shows the respective shares of revenue and borrowing in meeting the total expenditure:

(£'000)				
Total ordinary expenditure		3,023,979	Total ordinary revenue	960,903
New sinking funds		8,320	Loans raised—	
Loans repaid—			3% War Loan	203,234
4½% Conversion Loan		104,392	3% Defence Bonds	153,358
National Savings Bonds		81	3% Savings Bonds	26,900
Miscellaneous issues (net)		7,016	2½% National War	
Increase in balances		388	Bonds 1945-47	443,422
			2½% National War	
			Bonds 1946-48	34,100
			National Savings Certs.	
			(net)	135,500
			Other debt (net)	28,265
			Floating debt (net)—	
			Treasury Bills—	
			Tap	643,924
			Tender	114,000
			Ways and Means	
			Advances—	
			Public Departments	34,570
			Bank of England	
			Treasury deposits	366,000
3,144,176				3,144,176

The items shown as net are given after allowing for repayments and receipts.

Our Ebbing Dollar Resources

Mr. Morgenthau, testifying before the Senate Foreign Relations Committee on the Lease and Lend Bill, stated that British gold and dollar resources had been depleted by \$2,316,000,000 in the first sixteen months of war. Allowing for the substantial holdings of British gold which remain intact but unavailable for conversion into dollars in such countries as South Africa and for the comparatively meagre rate at which British owned dollar securities have been liquidated, it is fairly evident that the actual expenditure revealed by Mr Morgenthau must have reduced the available dollar balances of the British authorities to small proportions. Mr Morgenthau confirmed this impression by his statement that the placing of certain important orders for aircraft was awaiting the facilities which a scheme such as the Lease and Lend Bill would provide. It is now announced that the British Government has sent Sir Edward Peacock to America to examine the possibilities of realising the additional assets represented by the control of American businesses by British companies. One of the reasons for the rapid encroachments which have been made on British dollar resources, explained Mr Morgenthau, lies in the fact that after the collapse of France the British Government took over all French

contracts in the United States, although the same process could not be extended to French assets in that country. Mr Morgenthau, incidentally, announced that he had "mentally written off" Britain's last War debt to the United States, a debt which with accumulated interest has now reached the academically impressive total of \$5,728,821,000. It is interesting to note that the sterling equivalent of the debt has risen from £897,534,000 at the time of the Hoover moratorium in 1931, to £1,432,205,000.

December Bank Statements

The December clearing bank statements show the figures as on December 31st and a discussion of the movements revealed by the latest yearly balance sheet comparison will be found in a leading article in this issue. The movements over the month are particularly

(In £ millions)						
	Dec., 1939	Aug., 1940	Sept., 1940	Oct., 1940	Nov., 1940	Dec., 1940
Capital and reserves	138.7	139.7	139.7	139.7	139.7	140.2
Acceptances, etc.	128.9	118.6	119.0	112.4	114.8	108.2
Notes in circulation	1.4	1.4	1.4	1.4	1.4	1.4
Current deposit and other accounts	2,253.8	2,481.3	2,596.7	2,660.0	2,701.8	2,800.0
Total liabilities	2,522.8	2,741.0	2,856.8	2,914.4	2,957.7	3,049.8
Cash	243.4	273.3	288.2	269.5	284.9	324.4
Cheques, balances, & items in transit	71.0	75.5	110.4	117.0	108.0	134.8
Money at call	159.5	147.6	143.7	137.2	140.3	158.5
Discounts	250.3	430.1	401.3	373.4	338.7	264.9
Treasury deposit receipts	...	26.0	91.5	170.5	236.0	313.5
Investments	635.0	682.1	697.1	722.9	742.8	771.5
Loans and advances	966.3	919.0	936.8	933.7	923.4	906.0
Investments in affiliated banks	24.0	23.6	23.6	23.6	23.6	23.7
Cover for acceptances, premises, &c.	173.3	163.8	164.2	157.6	160.0	152.5
Total assets	2,522.8	2,741.0	2,856.8	2,914.4	2,957.7	3,049.8

large and dispersed even for the final month of the year. The cash item is, as usual, well up in preparation for the year-end balance sheet and despite a further substantial growth in deposits the cash ratio has risen from 10.55 to 11.59 per cent. Bills discounted show a drop of £73,803,000, which indicates the magnitude of window-dressing operations in the discount market which throughout December was accumulating bills for balance sheet purposes. The same process is reflected in the increase of £18,188,000 in the money lent at call and short notice. Advances show a drop of £17,491,000 and have fallen to the lowest figure recorded since February, 1937. The reductions in bills and advances are more than counterbalanced by increases of £77,500,000 in Treasury deposits and of £28,625,000 in investments.

Insurance Aspects of the War Damage Bill

The War Damage Bill is more in the nature of a scheme for providing compensation than an insurance measure. But at certain points it impinges on the sphere of insurance, and at these points care ought to be exercised to ensure that there is no undue violation of insurance principles, which might bring untoward consequences in its train. Thus, in those sections where insurance is voluntary, notably the "business scheme" for goods (insurances not exceeding £1,000) and the "private chattels scheme," there is a danger of getting into trouble with the time-honoured rule of "selection against the insurer." It is well known that insurers work on most elaborate tables of rates, in which risks are carefully graded, from every possible angle, according to degree of risk. Any insurer who omitted to do this would immediately find his account overloaded on the heavier risks, and insufficiently leavened with the lighter ones, with the result that very soon he would be operating at a loss. The absurdity, for example, of a fire office asking the same rate of premium for a thatched cottage as for a brick-built house needs no emphasis; actually quite small gradations of risks are

sufficient to bring the rule into force. Now, the Government, under these voluntary schemes of insurance, is proposing to charge a uniform rate, for the whole of the country, of 30s. per cent.; furthermore, power is taken to make payments where damage occurred before the coming into operation of the schemes. It is true that the rule of "selection against the insurer" will not govern to the same extent as it would in the case of a private insurer, because of the absence of an alternative market. At the same time, it seems too much to hope that there will not be an excessive proportion of applications from the inhabitants of the large cities, and those who have already suffered damage will presumably insure as a matter of course. If this unfavourable prognosis is correct, the rate of 30s. per cent. may soon prove inadequate, and to increase it will merely accentuate the trouble. The remedy, of course, is either to make the scheme compulsory, or to vary the premium according to locality, but the latter solution will not dispose of the selection difficulty which arises from making the insurance retrospective.

The reason advanced against compulsory insurance of chattels is that there is no machinery for valuation, and under-valuation—by residents in the less vulnerable areas—would defeat the purpose of compulsion. It cannot be denied that this is a very real difficulty. Fire insurers also have to contend with the problem of valuation, it being very unusual for chattels to be valued when an insurance is effected, but their concern is mainly to ensure that a policyholder does not secure a "first loss" policy at the rate appropriate to a "full value" insurance. Tables of rates are usually prepared on the assumption that the insurance is for the full value of the property: to ensure that the sum fixed is adequate, policies embodying a so-called "average" clause, which provides that, in the event of under-insurance, the policy only pays *pro rata*, and it is one of the duties of the loss assessor to examine carefully this feature. If the average clause, coupled with expert assessment of losses, is retained in war damage "chattel" policies there will be little risk of a policyholder securing, through under-valuation, an unfair advantage in rate; but adoption of fire insurance practice will not dispose of the objection that, to the extent that under-valuation takes place, compulsion has been avoided. The choice is here between two evils: either there must be a voluntary scheme, with "selection against the insurer," or a compulsory scheme, with some measure of avoidance of compulsion. The administrative problems of a compulsory scheme would be enormous, even if it only operated above a certain income limit—say £400 for married persons and £250 for single—where in most cases a fire insurance would already exist to serve as a guide on the adequacy of the sum insured. The choice is not easy to make and any solution for this particular problem is bound to be imperfect. Incidentally, in fixing the upper limit for the insurance at £1,500, plus £500 in respect of a motor-car or motor-cycle, the Government will in effect be furnishing large householders with cheap "first loss" cover, although most householders would doubtless prefer to pay premium on full values and secure complete protection.

Sterling Free Accounts

The Bank of England has this week given its sanction to certain extensions in the use of sterling area accounts opened in the name of non-residents. From now on it will be permissible to credit such accounts with distributions to beneficiaries of income on capital trusts set up prior to September 3, 1939, and with repayment of income tax deducted from such income at source. On the other hand, official sanction is now given to the debiting of bank charges to such accounts, while permitted debits will also include subscriptions to newspapers and periodicals. The sanction given to the debiting of bank charges merely gives official recognition to a practice which has obtained ever since sterling area accounts were created. In the matter of their own remuneration for keeping these accounts the authorised banks have, not unnaturally, taken the law into their own hands. The extension of the uses of sterling area accounts to the payment of newspaper and periodical

subscriptions seems an overdue concession, assuming the Treasury wishes to encourage the circulation of such British literature abroad. This latest addition to the permissible uses of sterling accounts must not be taken as a token of the authorities' desire to encourage the development of such accounts. Their place and utility in the system of sterling exchange control is recognised, but the limits already placed upon them are fairly rigid and are unlikely to be relaxed by amendments more important than those announced this week.

Life Assurance New Business

In a note on page 112 of *The Economist* of January 25th, the new business of the Prudential Assurance Company in 1939 was given as £35,047,000. The correct figure should have been £25,047,000, and the fall in 1940 was thus £6,247,000, not £16,247,000 as stated. The total for 1939 should correspondingly be reduced to £150,016,000 and the total fall in 1940 to £48,972,000, a decline of 32½ per cent.

Erlangers' Acceptances

In a note on Erlangers' balance-sheet for December 31st last, which appeared in these columns last week, it was stated that £739,775 of the acceptances represented amounts due from customers in Germany. These German commitments are included under advances and not among acceptances. Erlangers, in common with all London acceptance houses, took up such of their own German standstill bills as may still have been circulating in the market on the outbreak of the war and converted the credits represented by them into cash advances. This gives even greater emphasis to the remarks on the resistance of the firm's active acceptance business to the difficulties of the past year.

MARTINS BANK LIMITED

Chairman: FREDERIC A. BATES, M.C., A.F.C., D.L.
Deputy Chairmen: Rt. Hon. LORD COLWYN, P.C., D.L., LL.D.
SIR R. D. HOLT, BART, LL.D. G. E. B. BROMLEY-MARTIN
Director and General Manager: J. M. FURNISS

STATEMENT OF ACCOUNTS, 31st December, 1940

LIABILITIES	
Capital paid up	£4,160,042
Reserve Fund	3,600,000
Current, Deposit and other accounts (including Profit and Loss Account)	123,993,428
Liability for Acceptances, Endorsements, etc.	8,802,569
	£140,556,039

ASSETS	
Cash in hand and at Bank of England	£14,316,969
Balances with, and cheques in course of collection on other British Banks	4,770,945
Money at call and short notice	6,140,000
Balances with Banks abroad	11,458
Treasury Bills	6,460,000
Treasury Deposit Receipts	9,000,000
Bills of Exchange	567,732
Investments	45,627,522
Advances to Customers and other accounts	42,014,145
Bank Premises	2,844,699
Liability of Customers for Acceptances, Endorsements, etc.	8,802,569
	£140,556,039

LONDON DISTRICT HEAD OFFICE: 68 LOMBARD STREET, E.C.3
HEAD OFFICE: WATER STREET, LIVERPOOL, 2
600 BRANCHES

man's speech. In the meanwhile, shareholders have done quite as well as could be expected. The company's £1 ordinary stock at 101s. 3d. cum dividend yields £4 1s. tax free, equivalent to £7 0s. 10d. less tax.

* * *

Dalgety Report

The full accounts of Dalgety and Company for the year to June 30 last show an exceedingly satisfactory rise in total profits, after depreciation, from £877,445 to £1,109,871, the highest level since £1,133,891 was earned for 1928-29. The improvement was probably due to the disposal of a record quantity of wool from Australia and New Zealand to the British Government under the existing Purchase Agreements, to a satisfactory wheat crop and to Government expenditure on the war effort. The company's tax liabilities have, of course, risen sharply, the provision for British income tax and E.P.T. alone increasing from £18,872 to £120,917. The total provision for Australian and British taxation has expanded from £82,545 to £221,173, and the cost of exchange differences is also higher at £141,105 against £93,667. Thus, after meeting all prior charges and increasing the allocation to staff provident fund from £15,000 to £20,000, equity earnings show only a moderate rise from £81,625 to £102,682, a sum which does not completely cover the total distribution of 7 per cent. for the year on ordinary capital, absorbing £103,000, gross. Equity earnings rose from 5.7 to 6.8 per cent., but the carry-forward is reduced from £124,162 to £121,844. The distribution of the 7 per cent. total payment for the year in the form of two interim dividends without a final payment, does not imply any disappointment with trading results in the last quarter of the year. The directors announced in December last that distribution of the second interim of 4 per cent. was made to avoid the new Australian Undistributed Profits Tax and that it would be followed by no further payment for 1939-40. The directors do, however, report that the current Australian wool clip is expected to be below that of the previous season and that the wheat crop will also probably show a decrease. Since tax liabilities, both British and Australian, will almost certainly in-

crease further in the current year, it appears doubtful whether the company will be able to maintain the increase in the total ordinary dividend from 5 to 7 per cent. Apart from a normal rise in both creditors and debtors, and one in cash holdings from £511,595 to £748,118, the balance-sheet position shows little change. General reserves still stand at £1,360,000.

* * *

Jute Industries Progress

With another satisfactory year's trading to September 30th last, total income of Jute Industries has increased from £111,068 to £123,248. After maintaining the previous year's allocation of £55,000 to depreciation and obsolescence and writing £5,000 off shares in a subsidiary company earnings for dividends are up from £46,068 to £57,748. The 10s. preference shares receive a 4 per cent. payment less tax, with Dominion income tax relief, at 8s. 3d. in the £. No payment is made on ordinary capital, but for the first time since 1928-29 an allocation of £20,000 is made to contingencies reserve, leaving the carry-forward £3,123 higher at £40,668. There is no doubt of the wisdom of the directors' decision to refrain from paying an ordinary dividend, for not only is the company faced with the normal difficulties of war-time trading—shipping and export complications and rising costs—but there is evidence that spinning and manufacturing competition from Calcutta is increasing. The home demand for the company's products was less well maintained during the past year than in 1938-39, and export markets on the Continent have, of course, succumbed to the German advance. In the course of his speech, circulated with the report, the chairman, Mr. J. Ernest Cox, points out that there is no hope for some time to come of obtaining a dividend from the subsidiary, the Camperdown Pressing Co. of Calcutta. Moreover, the three wage advances sanctioned by the Trade Board for British workers since July, 1939, have undoubtedly increased the difficulties of effective competition with the rising Calcutta industry. There is hope that some sections of domestic demand will be maintained during the war and of success in development of the newly formed Export Group for the industry.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

THE tone in all sections of the market has been dull both before the week-end and during the current week. Sentiment remained firm and there was little selling, but a hesitant atmosphere prevailed and, on Tuesday and Wednesday, daylight alerts depressed business to a low level. In the gilt-edged market, early losses were mainly made good. Home rails lost a measure of recent support and price movements among industrial shares were, in general, trendless. Markets derived some encouragement on Tuesday from the continued successes in Africa, as also from the announcement of the Imperial Tobacco dividend, and of the excellent Woolworth results in the preliminary statement.

The gilt-edged market closed distinctly dull before the week-end, but there were few changes in quotations. On Monday, a long list of dated and undated funds suffered losses of $\frac{1}{8}$, including 2½ and 4 per cent. Consols, 3 and 3½ per cent. Conversion and 2½ and 4 per cent. Funding. Local Loans were also quoted lower. Later in the week the market hardened and a number of the former losses, including those of 2½ per cent. Consols and 4 per cent. Funding, were made good. The foreign bond market remained generally buoyant, and although Japanese issues continued to be offered, there was further support for Egyptian Unified. French rails returned to favour and daily gains were enjoyed by Belgium 4 per cent. bonds, following the conclusion of the purchasing agreement between Great Britain and the Belgian Congo.

Second thoughts on dividend possibilities caused home rails to ease. While the majority of the senior and marginal stocks stood firm, the ordinary stocks reacted from recent levels. Thus, Southern preferred ordinary lost $\frac{1}{2}$ point on Monday and Tuesday, while Great Western and L.M.S. ordinary and London Transport "C" were all quoted lower. Among foreign rails, Canadian Pacific preference was supported at the close of last week. The ordinary issue moved irregularly.

Sentiment in the industrial market was certainly encouraged by the Woolworth and Imps. announcements, but business remained slack and a number of issues eased. Brewery shares were offered, including Charringtons, Distillers and Mitchells and Butlers. Last week's support for the textile section was not continued and buying in the stores and tobacco groups was on a very moderate scale. Heavy industrials moved uncertainly. In the miscellaneous section, Dunlops, I.C.I. and Metal Box received attention, but Turner and Newall and Murex both lost ground. Recently de-restricted S.I. (B) stocks, in particular International Nickel and Brazilian Traction, fell away and are thus brought more nearly in line with the New York quotations.

Business in *kaffirs* was also dull, although the market provided a few bright spots. "Sallies" gained $\frac{1}{8}$ on each of the first two days of the week, but Crown Mines, E. Geduld and W. Wit Areas gave way. The rubber market experienced a number of small losses, among which were setbacks for Malayalam and Anglo-Dutch. Tea shares were offered on a substantial scale at the close of last week, Doars

easing 1s., but prices hardened after the week-end. In the oil market, the recent advance appeared to have spent itself, although a number of the smaller concerns, including Kern and Trinidad Petroleum Developments, improved.

"FINANCIAL NEWS" INDICES

1941	Approx. Total Bargains in S.E. List	Corres. Day 1940	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Jan. 23 ..	2,161	4,929	72.5	127.1
" 24 ..	2,340	4,998	72.5	127.0
" 27 ..	2,857	4,430	72.3	126.9
" 28 ..	1,754	4,019	72.1	127.0
" 29 ..	2,271	4,003	72.1	127.0

* July 1, 1935=100. † 1928=100. 30 Ord. shares, 1941: highest, 73.7 (Jan. 17); lowest, 70.3 (Jan. 2). 20 Fixed Int., 1941: highest, 127.1 (Jan. 20); lowest, 126.1 (Jan. 2).

New York

WALL STREET opened this week, as it closed the previous week, idle and trendless. A few incipient rallies were damped at the outset by lack of interest, and dealers refused to derive encouragement from favourable industrial news or from the continued progress of British armies in Africa. Motor issues remained a bright spot, apparently thanks to the belief that the prosecution of the defence programme will necessitate curtailment of production. For the rest, price movements were narrow, with fractional losses predominating.

The Iron Age estimates steel mill activity at 197 per cent. of capacity against 99 per cent. in the previous week. Uncertainty regarding the con-

(Continued on page 166)

Industry and Trade

Less Wool for Civilian Use

Imports of wool last year were at a record level, but it is doubtful whether shipments can be maintained this year. While stocks are still substantial, military requirements are also heavy and exports must be increased, if possible. In the circumstances, the wool textile industry is expecting a reduction in the allocation of wool for civil use for the next rationing period beginning on March 1st. Indeed, signs of a forthcoming reduction are not lacking. Thus, when supplies of wool and tops were requisitioned earlier in the war, stocks in the hands of spinners and manufacturers were emptied and could still be used for civilian purposes. An Order has now been made, however, prohibiting the use of stocks of cross-bred tops, except by licence. This means that the remaining free stocks of cross-bred tops are now reserved for Government needs. Moreover, the Wool Control has appealed to spinners and manufacturers to exercise the greatest possible economy in the use of all types of wool for civilian purposes. But in view of the comparatively mild restriction of wool supplies hitherto in force, a further cut is unlikely to cause hardship.

* * *

Shopkeepers and Mutual Help

Southampton has set an example, which is held up by the Board of Trade as a model for other districts, of public-spirited co-operation between bombed retailers and their more fortunate neighbours. Where retail premises are destroyed and there is no prospect of alternative accommodation being obtained in the near future, it is not in the public interest that the owners should cling to their rights of replacement of stocks, or consumers in badly bombed areas may go short of essential supplies. Realising this, Southampton victims have surrendered replacement rights to the value of thousands of pounds, and this has enabled a score of retailers whose premises are undamaged to obtain corresponding additional stocks. A particularly satisfactory feature of this arrangement is the manner in which chain stores and multiple shops have co-operated with the local shopkeepers. The Board of Trade has appealed to retailers all over the country to work out a similar arrangement before they are bombed. While it is hardly possible to fix beforehand the extent to which traders will surrender their rights, since this must depend on the extent of the damage, and the possibility of obtaining alternative accommodation quickly, it is desirable to fix the proportions in which traders whose premises are undamaged will take up the surrendered rights of the others. It is also important to fix the basis upon which the profit is to be divided between the original owner of the stock and the retailer who sells the goods the former receives in replacement of those that have been destroyed. If a workable scheme has been evolved among the ruins it should be possible for satisfactory arrangements to be made in advance among people who have not yet suffered damage.

* * *

Building Materials Controlled

The more important of the building material supply trades, cement, bricks and timber, are now subject to the benevolent dictatorship of Government control; others, such as the roofing material industry, are shortly to lose their liberty in defence of liberty. In the early months of the war much precious time which should have been devoted to the building up of stocks was lost. In spite of war factory extensions and the erection of new munition establishments demand fell heavily owing to the embargo on civil building, workers left the cement factories and the brickyards and machine capacity stood idle. After the capitulation of France the position changed. There came a sudden demand for cement, bricks and timber for defence works, for shelters, and for the repair of properties damaged by the Luftwaffe. Maximum output is now required of the cement, brick and roofing trades, and maximum domestic production and importation of timber. Lack

of transport, rail and road in the case of cement and bricks, and shipping space in the case of timber, has created difficulties. The cement industry has its own particular problem, the direct result of the rationalisation policy pursued in the years prior to the war. Present capacity is inadequate, and a Committee has been set up by the Ministry of Works and Buildings to consider whether new cement works should be set up, existing ones extended and obsolete plant modernised. The need is urgent, and use of the "shadow factory" system would seem one way of meeting the needs of the country. The brick trade is better placed, in that local yards can be brought into full employment with small delay and at relatively small cost, though they are hampered by labour shortages. A somewhat similar position obtains at the establishments of roofing material manufacturers. In three of the cases cited above the raw materials of the industries come mainly from home sources. Timber, however, has to be imported in large quantities and requires much valuable shipping capacity. During the first eleven months of 1940 timber imports declined—even on a value basis—but it should be possible to make up the deficiency by yet a further increase in domestic production.

* * *

Record Steel Production in America

In 1940 the output of steel ingots in the United States, at 66,500,000 tons of 2,000 lb., was higher than ever before. Production was 27 per cent. higher than in 1939, and it exceeded the previous record, established in 1929, by about 8 per cent. Some 18 per cent. of the semi-finished and finished steel made last year for sale was produced for export, one-half of it for this country. Already at the end of 1939 America's crude steel producing capacity, then rated at 81 million tons of 2,000 lb., was 38 per cent. bigger than at the end of 1918 and 15 per cent. greater than at the end of 1929. But while the rated capacity rose to 83 million tons by the end of 1940, Mr. W. S. Tower, President of the American Iron and Steel Institute, estimates that it is now practicable for the industry to produce crude steel at the rate of 85 million tons per annum. The American iron and steel industry has spent no less than \$1,500 million during the past ten years on the modernisation and extension of its plant, and further heavy expenditure is contemplated to increase its capacity still further.

* * *

Poultry Price Control

The Ministry of Food order, in expectation of which poultry has recently been withheld from the market, has now come into effect. Retail prices are fixed at 2s. 4d. and 2s. 2d. per lb. for English and Irish roasting chickens respectively; 1s. 8d. and 1s. 6d. for English and Irish boiling fowls; 2s. 1d. per lb. for ducks and 1s. 11d. for geese. Retailers' margins are 4d. per lb. for roasting chickens and 3d. for all other controlled birds, and producers' prices are fixed to yield 1d. per lb. to wholesalers in all cases. Wholesalers are appealing to the Ministry of Food to allow a larger margin, and, meanwhile, only small supplies are coming on to the market. How far the shortage is really due to control, however, is doubtful. Birds were killed in large numbers last year, when the difficulty of feeding them first became acute, and the supply must remain very restricted for a long time to come. As it is practically

FAMOUS SINCE 1795

OTARD'S

COGNAC BRANDY

impossible to increase substantially, under present feeding conditions, the number of birds reared, it would be a doubtful policy to fix prices at a level which would encourage poultry keepers to kill them off too rapidly. The goose that laid the golden eggs in fairyland was not nearly such a valuable bird as the hen that can be persuaded to lay category A.1 eggs in blockaded Britain.

* * *

Crude Oil Production in 1940

With the exception of the United States and the Soviet Union, the chief oil producers are heavily dependent upon export business. The majority of exporters were seriously affected last year by the British blockade of the Continent, which cut several of them off from their principal overseas markets and forced them to curtail production. But since almost two-thirds of the world's petroleum comes from the United States, these declines are not reflected in total world production, which is estimated to have advanced by 4 per cent., from 2,069 million barrels in 1939 to 2,151 million last year. Most of the following estimates, taken from *The Oil and Gas Journal*, should in present circumstances be regarded as rough approximations only:

	CRUDE OIL PRODUCTION (Million Barrels)		Percentage Change
	1939	1940	
United States	1,255.8	1,345.8	+7.2
Russia	216.5	224.0	+3.5
Venezuela	208.1	189.2	-9.1
Iran	77.0	76.3	-0.9
Dutch East Indies*	68.7	68.7	—
Roumania	45.6	42.5	-7.0
Mexico	42.9	43.5	+1.4
Iraq	30.8	25.7	-16.5
Colombia	23.8	26.9	+13.0
Argentina	18.6	20.5	+12.2
Trinidad	19.3	20.3	+5.2
Other countries	61.6	67.3	+9.3
World total	2,068.7	2,150.7	+4.0

* Including British Borneo

Despite a serious decline in exports, production in the United States showed a marked advance due to a highly satisfactory home demand and to the fact that in 1939 many of the producing wells were closed during the second half of August. Russian production again lagged well behind schedule, and was barely sufficient to cover growing home requirements. In Venezuela, on the other hand, home consumption is small and the loss of European outlets was acutely felt. Production is also thought to have been somewhat reduced in Persia—though here the dependence on the European market is not so great—mainly owing to shipment difficulties. A high proportion of Iraqi oil went in normal times to the French refineries, and the collapse of France is reported to have been followed by the closure of the Syrian branch of the Iraq pipe-line. Since the southern branch, through Palestine, was already used to capacity, production in Iraq had to be curtailed appreciably, and it is possible that the figure in the table underestimates the decline. The Dutch East Indies has been little affected by the European war, and operations there have been maintained at around the 1939 level; but the downturn in Roumania was accelerated by earthquake damage and by shipping difficulties due to British action following the virtual German occupation. Certain quantities of Mexican oil were admitted to the United States market last year, and the gradual recovery of production in the Republic was consequently able to proceed, despite the disruption of business with the Axis Powers. In Colombia and Argentina the development of new fields was responsible for a higher output, but the contraction of Peruvian production was continued. Among other minor producers, Trinidad, Canada and Egypt made further marked headway.

* * *

Difficult Coffee Position

The United States has recently concluded an agreement with the coffee exporting countries of the Western Hemisphere regulating her coffee imports during the current season. The scheme, which has still to be ratified by the Governments concerned, introduces fixed import quotas for every State. America's total import quota is 15,545,000 bags of 60 kilos each, against actual imports of 14,025,978 bags in 1939-40 and of 13,878,257 bags in 1938-39. Brazil's share is 9,300,000 bags, against

9,063,676 bags and 9,014,862 bags respectively in the last two seasons. At present most of the Central and South American coffee-producing countries are preparing steps to make the best possible use of these quotas by selecting their best grades of coffee for export. Concurrently, Government control of the coffee industry is being strengthened in a number of countries. While the fixing of fairly high import quotas by the United States is a favourable factor for the coffee market, this move falls far short of the ambitious plans discussed at the Pan-American Conference at Havana last summer. Possibly the present quota scheme will be supplemented by United States credits to the coffee countries in order to assist them in financing the holding of their huge stocks, but so far nothing definite is known in this respect. Meanwhile, all coffee exporting countries are suffering seriously from the effects of the war, which has virtually closed the European market to them. In 1938-39 Europe still imported 11.6 million bags of coffee, but current imports are at the rate of less than one million bags per annum. In present conditions world sales of coffee will probably fluctuate between 16 and 17 million bags a season, while the 1940 crop amounted to slightly less than 21 million bags in Brazil and 10 million bags in the other producing countries, a world total of about 31 million bags. The next crop will probably be smaller, for the chief producing States in Brazil have suffered from serious drought. But even a major decline in the Brazilian crop would leave that country with a huge surplus, owing to its dependence on the Continental European market.

* * *

Palestine Citrus Fruit

In normal years this should be the height of the Palestine citrus season. This year imports of oranges into this country are to be reduced to a minimum, and part of the very small quantity allowed will be bitter oranges for marmalade. For Palestine this means the virtually complete loss of her export trade in oranges, for the small quantities that were not exported to England mainly went to Continental Europe. Total citrus exports, and lemons and grapefruit are under a severer ban than oranges; they amounted to some £P4 millions before the war and accounted for three-quarters of the country's export trade, while a high proportion of the population is dependent on the industry, either directly as growers, or indirectly as pickers, packers, farm labourers and transport workers. In most of the colonies where the exigencies of war have cut off their staple export, the British Government has come to the assistance of the growers, either by direct purchase as in the case of West African cocoa, or by bolstering up the price at which they can be bought locally. In the last citrus season, Italy had not yet entered the war, and about half Palestine's orange crop was exported. Moreover, the local banks came to the assistance of the growers by granting cultivation loans of about £10 an acre to tide the growers over the summer months. Some £500,000 was advanced in this way, of which three-quarters was guaranteed by the Palestine Government. This season no financial arrangements have yet been made, and Palestine is faced with a surplus of about 10 million boxes and the prospect of allowing most of the groves to go out of cultivation. Over £20 millions has been invested in the industry—a high figure for a colonial crop, but citrus trees take five years to bear fruit, and need careful and scientific attention throughout that period—and a large part of the investment is now seriously threatened. Moreover, the five years interval means that supply cannot be quickly expanded when markets are restored after the war.

*

Local efforts to help the position include an excise tax on local sales to help the growers, but the local market is so small that very little benefit is expected from this. The manufacture of by-products, too, cannot be more than a palliative, which in any case will take time to put into effect. The growers have hopes of expanding markets in India and Russia, but something must be done quickly for this season. The industry itself suggests that the British Government should buy the whole crop on the trees at about £20 an acre. This would mean an expenditure of about £1 million in all, which in relation to the average export value of the crop is not disproportionate to the help given to West African cocoa and Jamaican bananas. But so far no satisfactory reply has been received from the British Government.

COMMODITY AND INDUSTRY NEWS

Cotton.—The general inquiry in the market has been well maintained and a fair amount of business has been done, but many producers were reluctant to sell their production far ahead. The raw cotton supply situation tends to become more acute. Only narrow fluctuations have occurred in prices. There has been an active demand in coarse and medium yarns in both American and Egyptian qualities, but more spinners have refused to sell. Cloth demand has covered a wide range of goods, most of the buying being in printed and dyed sorts for Java, Rangoon and South America, with fair sales in a variety of fabrics for the Dominions. Some offers for India have improved and a few more transactions have been put through. Further Government contracts have been given out.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended		From Aug. 1 to	
	Jan. 17, 1941	Jan. 24, 1941	Jan. 26, 1940	Jan. 24, 1941
American	25.0	18.7	677	503
Brazilian	6.7	6.9	164	177
Peruvian, etc.	2.2	2.0	110	67
Egyptian	3.3	3.3	178	105
Sudan Sakel	5.6	3.8	84	27
East Indian	9.3	10.7	155	148
Other Countries	7.1	12.9	82	174
Total	60.1	68.3	1,450	1,201

Source: Liverpool Cotton Association's Weekly Circular.

Grains.—The wheat market was firm until after the weekend, and stiffened again on news of damage to Balkan crops and impending Spanish purchases from the Argentine, but lack of activity in the principal exporting centres caused a slight slackening. There has been little demand for maize and barley.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Jan. 11, 1941	Jan. 18, 1941	Jan. 20, 1940	Jan. 18, 1941
N. America	341	416	11,004	9,167
Argentina, Uruguay	77	33	10,861	4,663
Australia	...	...	612†	...
Russia	...	...	114	429
Danube and district	...	...	3,792	182
Other countries	...	...	342	...
Total	418	449	28,725	14,441

* Unobtainable. † Incomplete.
Source: The Corn Trade News.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	Jan. 11, 1941	Jan. 18, 1941	Jan. 20, 1940	Jan. 18, 1941
Argentina	139	169	13,147	6,568
Atlantic America	32	...	2,128	2,815
Danube Region	...	...	1,314	973
S. & E. Africa	...	...	2,540	1,228†
Indo-China, etc.	...	...	1,439	91
Total	171	169	20,668	11,380

* Not received. † Incomplete since December 14, 1940. Source: The Corn Trade News.

Oils and Oilseeds.—The official maximum prices of controlled vegetable oils are due for revision. Meanwhile supplies of practically all necessary vegetable oils are well maintained and permit of substantial allocations, especially to the industries engaged in the manufacture

of margarine and cooking compounds. Paint and soap makers and allied technical users are well supplied within the limitations imposed by present conditions. The outlook for supplies of raw material is considered satisfactory. Apart from India large supplies of linseed are available from South America. The second estimate issued by the Argentine Ministry of Agriculture gives a probable gross output of 1,567,000 tons compared with the previous season. Allowing for home requirements and seeding there still remains 1,400,000 tons approximately to be marketed during 1941. Prices however remain steady. Trading in Egyptian cottonseed is still handicapped by present conditions in the Mediterranean. Indian ground nuts are being taken up in substantial quantities by the U.K. Control which is inviting further offers for February-April shipment.

"THE ECONOMIST" SENSITIVE PRICE INDEX (1935=100)

	Jan. 20, 1941	Jan. 21, 1941	Jan. 22, 1941	Jan. 23, 1941	Jan. 24, 1941
Crops	105.6	104.3	105.3	105.3	105.5
Raw Materials	147.2	146.8	147.0	147.0	147.2
Complete Index	132.8	132.0	132.6	132.7	132.8

	Mar. 31, 1937	Aug. 31, 1939	Jan. 24, 1940	Dec. 17, 1940	Jan. 24, 1941
Crops	147.9	92.2	113.7	105.3	105.7
Raw Materials	207.3	122.9	162.3	166.1	167.2
Complete Index	175.1	108.4	135.3	132.2	132.8

* Highest level reached during 1932-37 recovery.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN UNITED KINGDOM (1927=100)

	Mar. 31, 1937	Aug. 30, 1939	Jan. 16, 1940	Jan. 7, 1941	Jan. 21, 1941
Cereals and meat	93.0	66.9	93.9	97.0	97.5
Other foods	70.4	61.1	79.8	86.1	88.8
Textiles	74.2	54.3	79.7	88.5	88.7
Minerals	113.2	77.6	111.1	1129.3	129.2
Miscellaneous	87.0	77.6	97.1	109.7	110.6
Complete Index	87.2	70.3	92.4	101.6	102.5
1913=100	119.9	96.8	127.1	140.1	141.0

* Highest level reached during the 1932-7 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	80	103	+10.7
1940	116	83	114	+10.7
1939-Nov.	137	103	135	+14.4
1939-Dec.	105	96	104	-0.95
1940-Jan.	79	83	80	+40.8
Feb.	113	93	152	+31.0
March	155	78	111	+40.8
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
Oct.	157	73	152	-8.4
Nov.	81	88	81	-40.0
Dec.	76	71	76	-26.9

Indices calculated by Wholesale Textile Association in collaboration with Bank of England. Purchase tax is excluded; figures are therefore comparable throughout. Source: Board of Trade Journal.

BARCLAYS BANK LIMITED

EDWIN FISHER, Chairman.
WILLIAM MACNAMARA GOODENOUGH, Deputy Chairman.
HUGH EXTON SEEBOHM, Vice-Chairman.
General Managers: A. W. TUKE, W. O. STEVENSON, N. S. JONES.

Statement of Accounts

31st December, 1940.

LIABILITIES

	£	£
Current, Deposit and other Accounts, including Reserve for Taxation and Contingencies and Balance of Profit and Loss	535,946,063	
Balances in account with Subsidiary Banks	10,968,613	
Acceptances and Endorsements, etc., for account of Customers	14,978,292	
Paid-up Capital	15,858,217	
Reserve Fund	11,250,000	

ASSETS

Cash in hand and with the Bank of England	62,617,992
Balances with other British Banks and Cheques in course of collection	22,682,997
Money at Call and Short Notice	25,908,700
Bills Discounted	61,822,742
Treasury Deposit Receipts	68,000,000
Investments	121,474,855
Investments in Subsidiary Banks (at cost, less amounts written off):—	
The British Linen Bank—£1,241,044 12s. 6d. Stock	3,723,134
Other Banks—(including fully paid Shares and 500,000 "B" Shares of £5 each, £1 per Share paid up, in Barclays Bank (Dominion, Colonial and Overseas) and 1,000,000 Shares of £1 each, 5s. per Share paid up, in Barclays Bank (France) Limited)	2,556,434
Advances—Customers and other Accounts	195,911,107
Balances in account with Subsidiary Banks	1,372,599
Liability of Customers for Acceptances and Endorsements, etc.	197,283,706
Bank Premises and Adjoining Properties (at cost, less amounts written off)	14,978,292
	7,952,333

HEAD OFFICE:

54, LOMBARD STREET, LONDON, E.C.3

COMPANY MEETINGS

BARCLAYS BANK LIMITED

RECORD DEPOSIT FIGURES

BANKS' ASSISTANCE IN PROVISION OF WAR FINANCE

NEED FOR INDIVIDUAL SACRIFICE

THE IMPORTANCE OF EXPORTS

MR EDWIN FISHER'S ADDRESS

The forty-sixth ordinary general meeting of Barclays Bank Limited was held on January 27th at the head office of the bank, 54 Lombard Street, London, E.C.

Mr Edwin Fisher (the chairman) presided.

The chairman: My lords, ladies and gentlemen,—I will call upon the secretary to read the notice of meeting and the certificate of the auditors which appears at the foot of the balance sheet that has been submitted to you.

The secretary (Mr W. N. Seeley) then read the formal notice convening the meeting and the report of Messrs Price, Waterhouse and Company and Messrs Kemp, Chatteris, Nichols, Sendell and Company.

The chairman: My lords, ladies and gentlemen,—Is it your pleasure that the report and accounts submitted, and also the chairman's address which has been in your hands for some days, be taken as read? (Agreed.)

The chairman's address was as follows:—

DIRECTORATE AND STAFF

Through the death of Mr Herbert Leslie Melville Tritton, which occurred recently, a link with one of the great banking families so closely identified with this bank was broken. Like his father before him, he devoted his working life to service with Barclays Bank, and his intimate knowledge of the business and his wide interests, which extended to the countryside as well as to the City, made him an invaluable member of the board. We who had the privilege of working with him, and the staff, for whom he always showed an enduring and sympathetic interest, mourn his loss.

We have lost 27 of our staff as a result of the war, of whom 16 were serving with His Majesty's Forces and 11 were civilians. Their names are recorded in the report of the directors. We offer to their relatives our deepest sympathy, and we pay a sincere tribute to their memory. We also regret that 13 other members of the staff on active service have been reported as missing and that, in addition, 37 of our men are known to be prisoners of war.

THE BALANCE SHEET

The balance-sheet of the bank for December 31, 1940, reflects the incorporation in our figures of those of The Union Bank of Manchester Limited, which was amalgamated with this bank as from January 1, 1940. Our reserve fund has been increased to £11,250,000, by bringing in the reserve fund of £500,000 of The Union Bank of Manchester Limited, and on the other side of the balance-sheet, the amount representing our shareholding in that bank now no longer appears.

The total of our current, deposit and other accounts has risen to the record figure of £546,914,676, against £461,376,448 at the close of 1939. Suggestions have been made that the rise in deposits held with the banks and the increased amounts they have been able to lend to the Government are credit which the banks create without cost to themselves. Misconceptions possibly arise, owing to some lack of understanding of the fact that the employment of money by a bank is entirely dependent upon its success in attracting deposits from the public. A bank can only maintain its business if its credit is such that the public have confidence in its ability to meet its obligations and if the services which it places at the disposal of its customers

make the possession of a banking account attractive. The rendering of these services by the banks and the payment of interest to depositors are obviously costly matters, and, therefore, no part of the deposits which the banks are able to lend can be regarded as credit which has cost them nothing. In order that they can continue to conduct their operations, the banks must be able to recoup themselves for the expense incurred in affording the various and ever-increasing facilities and services which they place at the disposal of the public, and which are so necessary to the life of the community. Increased deposits do not necessarily produce increased profits, as our own figures make clear, since, although our deposits have risen during the past three years by about £112 million, our net profits have been lower.

LIQUID POSITION

The manner in which our funds are employed is shown on the assets side of the balance-sheet. As the shareholders will see, our position is very liquid, due to the short-term finance we are providing for the Government. Apart from cash in hand and with the Bank of England and balances with other British banks and cheques in course of collection, which show increases compared with a year ago, the remainder of the specially liquid assets represents very largely money advanced, directly or indirectly, to the Government, i.e. money at call and short notice, which consists to a large extent of loans to the money market, mainly against Treasury Bills; bills discounted, which are almost entirely Treasury Bills; and Treasury Deposit Receipts, a new form of short-term security appearing in our balance-sheet for the first time. The total of these five items amounts to no less than 44 per cent. of our current, deposit and other accounts. This abnormally high ratio, which reflects the conditions prevailing as a result of the war, means that a larger proportion of our funds than usual is being employed in the less remunerative of banking assets. The Treasury Deposit Receipts which I have mentioned and of which we hold £68,000,000, are issued to the London clearing banks and the Scottish banks against loans to the Government. They are six months' maturities, the current rate of interest being 1½ per cent. per annum.

INCREASE IN INVESTMENTS

Amongst our other assets, the total of our investments, excluding those in subsidiary banks, amounted at the end of December last to £121,474,855, and showed an increase of £22,634,026 compared with the close of 1939. This rise is entirely accounted for by an increase in British Government securities, our holding of which amounted to £113,491,466 at the date of our balance-sheet. In support of the war effort, we have invested largely in the new issues of Government loans and, as the shareholders are no doubt aware, we have given considerable support to the War Weapons Weeks held in many parts of the country, by subscribing locally for National War Bonds. The extent to which the banks are directly assisting in the provision of war finance is not always appreciated by the public. Apart from the considerable sums we are lending to customers of the bank for financing war contracts, we have, as I have already mentioned, greatly increased the amounts which, in one form or another, we are lending to the Government. To

give an illustration, while our deposits have risen, since the beginning of the war, by £118 million, our combined holdings of British Government securities, Treasury Bills and the new Treasury Deposit Receipts have increased by £106 million.

NATIONAL SAVING

Nevertheless, it cannot be too widely understood that the successful financing of the war and the avoidance of inflation can only be secured if each individual in the country will play his part and save all he can, for investment in Government loans, even to the point of sacrifice. No better security is to be obtained; and the investor, by practising rigid self-denial, is helping to safeguard his future in the broadest and truest sense. The work of the savings committees has attained a notable success. It is no mean achievement to have raised from the sale of National Savings Certificates and 3 per cent. Defence Bonds a sum of £407 million in just over a year, and, in addition, to have secured an increase of £121 million in the sums deposited in the Post Office and the Trustee Savings Banks. Moreover, £300 million has been subscribed for an issue of 3 per cent. War Loan, 1935-39, and £441 million for 2½ per cent. National War Bonds, 1945-47, while £25 million has been lent to the Government free of interest. These results, however, must only spur the community to even greater efforts, for, gratifying as they have been, the needs of the country call for more and still more saving.

The cost of the war is met by taxation and Government borrowing. Taxation should aim at the equitable distribution of burdens, obtaining the maximum amount without creating avoidable hardship. Hardship, it is true, may well descend upon us all; and the degree to which we have to forgo the standard of life to which we had become accustomed will be decided by the encroachment of the overriding necessities of the war. Government borrowing, so far as possible, should be based upon and have relation to the savings of the people, which must be maintained at the maximum level. To the extent that incomes have been increased as the result of war conditions, so should contributions towards Government expenditure, in the shape of subscriptions to Government loans, be looked for and expected. We must, however, go further than this: for the demands on the productive capacity of the country, made by the fighting Services, leave no doubt that our standard of living to-day will have to suffer further reduction until the war is won. To the extent that increased profits accrue as a result of war conditions, it is right that they should make the fullest contribution to the financial needs of the Government. At the same time, it is perhaps proper that some proportion, however small, should be retained by trade and industry. In this way, a monetary incentive to further endeavour would be kept alive and possible tendencies towards extravagance would be checked. In addition, industry would be helped to build up reserves against the time when a change over from war essentials to a peace-time programme has to be undertaken, and in return for a concession of this kind, any sums so retained could be lent to the Government and thus, in the meantime, contribute to the general war effort.

FALL IN ADVANCES

The total of our advances has declined to £197,283,706, against £200,847,108 twelve months earlier, and, as our figures now include the advances of The Union Bank of Manchester Limited, the diminution is even more pronounced. In view of the great industrial activity, this fall may be surprising to many, although it has to be borne in mind that, while some trades and businesses have become more active by reason of the war, others have been adversely affected, and it is natural that, in existing circumstances, many borrowers should desire to reduce their obligations as far as possible. Moreover, in transactions where the Government is a buyer, there may have been less need to depend on bank loans as a means of providing finance, while the control exercised over markets and prices and the reduction in the stocks of commodities held by individual traders and manufacturers have lessened the demand for accommodation. The shareholders may feel confident that the bank is doing all it can to ensure that the credit resources it commands are employed to the best advantage of the country,

and we are taking every opportunity, in line with the policy of the Government, to give all assistance in our power, consonant with sound banking practice, to those engaged in work of national importance.

POSITION OF AGRICULTURE

The industry of Agriculture has quite properly come into greater prominence as a result of the war, and the position of farmers has been improved through the steps taken by the Government to afford them increased security and more stable conditions than in the past. At the present time, the farmer has been guaranteed fixed prices for the principal agricultural products and an assured market for the duration of hostilities and for at least one year thereafter, with the knowledge that prices will be subject to adjustment to the extent of any substantial changes in the cost of production. Moreover, the Government, which is representative of all the major political parties, has, through the Minister of Agriculture, expressed its recognition of the importance of maintaining after the war a healthy and well-balanced agriculture as an essential and permanent feature of national policy. The Bank values its farming connections and has always endeavoured to see that its farmer customers should receive the accommodation which their position justifies. There will, of course, be cases, which would be quite exceptional, where it would not be wise, even in present circumstances, for a bank to grant accommodation: but the bank is fully conscious of its duty to see that the Government's policy of increasing home food production is not retarded by any failure on its part to provide banking credit where it can properly be given. In order to minimise the possibility of any deserving case being overlooked, the banks, in agreement with the Minister of Agriculture, have appointed liaison officers in every county to work with the County War Agricultural Executive Committees. The existence of such a selected body, readily available, should ensure that the farmers, so far as local banking problems are concerned, will receive sympathetic and careful consideration and every possible assistance.

NET PROFIT AND ALLOCATIONS

The net profit for the year ended December 31st last, after payment of all charges and after making provision for all bad and doubtful debts and for contingencies, amounted to £1,525,655 16s. 0d., which is a reduction of £259,214 8s. 5d. compared with the figure for 1939. This fall was not unexpected in view of prevailing conditions. The total of our advances, as I have already mentioned, has declined and, in addition, we have suffered a higher rate of taxation and have had to meet increased expenditure, and these factors are responsible in the main for the lower figure of profit which we were able to show. The sum of £568,726 15s. 0d. (including £38,145 2s. 8d. profit unappropriated by The Union Bank of Manchester Limited) was brought forward from December 31, 1939, making a total to be dealt with of £2,094,382 11s. 0d. As will be seen from the report, the directors have allocated from the profit for the year £150,000 to contingency account and £200,000 to reduction of premises account, and I feel confident that the shareholders will approve these appropriations. Our premises account has been increased during the year by the inclusion in our figures of the Premises of The Union Bank of Manchester Limited. Interim dividends at the rates of 5 per cent. on the "A" shares and 7 per cent. on the "B" and "C" shares, less income tax in each case, were paid on August 8th last, amounting to £598,844 2s. 9d. The directors now recommend the payment of final dividends of 5 per cent., making 10 per cent. for the year, on the "A" shares, and 7 per cent., making 14 per cent. for the year, on the "B" and "C" shares, less income tax, involving a sum of £598,844 2s. 9d., and leaving a balance of £546,704 5s. 6d. to be carried forward. In arriving at their decision to recommend the maintenance of the dividends at the same rates as for the preceding year, the directors have not been unmindful of the difficulties under which business has to be conducted, the extra expense that has to be met, and the uncertainties that are inevitable in wartime. They have been fortified in their decision, however, by the ability of the bank to make adequate provision for contingencies out

of the profit for the year and by the policy of prudence adopted in the past. Some shareholders, at times, may have felt that, when profits were rising, some extra return, by way of increased dividend, might have been forthcoming. I have little doubt that the shareholders will agree with us that the policy which has been steadily pursued has been in their real interests, and it can be regarded as a contribution by them to the stability of the bank, which has, so far, been in a position to maintain its dividend payments unchanged for many years through good times and bad.

EXPORT TRADE

The export trade of this country at all times demands and deserves attention. Exports were always essential to Great Britain and this is particularly so to-day, when we are at war. It was in realisation of their increased importance, and the very special considerations attaching to them in wartime, that the Government, early in 1940, set up the Export Council, whose object is to foster the export trade of the country. In peace-time, imports were paid for by the proceeds of our exports, together with the income from invisible exports, such as shipping earnings and the yield from overseas investments, and in many years there was a surplus for further investment abroad.

Wartime conditions are quite different; our home industries are concentrating on war production and many of our European markets are closed: hence, the problems of imports and exports demand review from a fresh angle. Under war conditions, many essential commodities which have been imported cannot be paid for entirely by exports and by invisible receipts. We must draw upon our capital invested abroad, i.e. through sales of overseas investments. The amount of this capital, however, is not unlimited, and payment by means of exports is, therefore, of increasing importance; but exports are only beneficial in wartime if they result in a return flow to this country of the goods we need, or of the exchange with which to buy them from other countries, and if the material and labour absorbed can be spared without impeding our war programme. It, therefore, becomes us to be selective in our exports, paying due and proper regard to their character and destination.

The exports which are most advantageous to Great Britain are those that go to countries from whom we in turn buy goods that are essential for our needs, or, preferably, from whom we receive dollar exchange, as being the form of foreign exchange which suits us best. An export which, in addition, involves a minimum of imported raw materials—thus economising in foreign exchange and in shipping space—and which makes no undue demand upon labour essential for our war production would seem to have all the virtues. No one is asked to imagine, for a moment, that all exports should comply with these requirements. They are only mentioned to point out some of the considerations which have to be borne in mind when assessing the relative value of exports and to emphasise the need for selectivity.

AN ENCOURAGING FEATURE

It is encouraging to note that the Government, through the machinery of the Export Credits Guarantee Department, have gone a considerable way to help with many of the difficulties which lie in the path of the exporter in wartime. Through a variety of policies and guarantees, the Department offers insurance against such things as loss caused by insolvency of the buyer, exchange difficulties, impediments to the completion of export transactions, such as non-shipment of goods arising out of the inability of the buyer to take delivery, or interruption of payment for goods delivered, owing to war happenings, and increases in rates of insurance or freight affecting export contracts. In view of the present rising cost of production at home the price of our exports may become a matter of serious consequence, for in world markets—as indeed in all markets—it is not only the quality, but also the price of the goods that counts: and if our prices are not comparable with those of our competitors, then our goods may not be sold. It is, therefore, of paramount importance that every effort should be made by our manufacturers and traders to keep their export prices on as competitive a basis as possible.

WARTIME EXPERIENCE

The shareholders will recall that last year I referred to the internal arrangements we had seen fit to make in the bank as wartime measures, and, in particular, to the system of duplication of records which had been instituted so as to ensure that our services could be carried on in all circumstances. It was hardly to be expected that we should be able to avoid sustaining damage to some of our bank premises, when the enemy air attacks on this country developed: but when we consider the number of our branches in London and elsewhere, the amount of serious damage is not large. Any dislocation of business caused has been speedily remedied and immediate steps have been taken to ensure the resumption of banking business with as little delay as possible and with the least inconvenience to our customers. In making these arrangements we have received much assistance from the neighbouring branches of other banks, and we are grateful to them for the spirit of helpfulness and co-operation which was so readily forthcoming.

The experience of enemy bombing since August last has tested and shown the wisdom of our plan of preparedness. I make no apology for giving the following details to show how the system worked when it had to be brought into instant operation, as I feel sure it will be of interest to the shareholders.

Our Wealdstone office—a branch on the outskirts of London—received a direct hit from a high explosive bomb. The books of the branch were almost completely destroyed and the contents of the strong room suffered considerable damage from the explosion and from water. Happily, no one was hurt, notwithstanding the fact that the manager and his family were sleeping on the premises. The damage occurred early one Friday morning. The reconstruction of the records of the branch was immediately taken in hand and by noon the next day all the current accounts had been reconstructed and proved and a branch balance-sheet was drawn up the same afternoon. On the following Monday morning the branch was reopened in temporary premises, and all customers' statements were ready for them. By the evening of the same day, deposit, home safe and loan accounts had been verified, while, by the afternoon of the next day, the deposit interest had been checked and the branch was working normally.

AN IMPORTANT BRANCH

At Coventry, where we have an important branch, a large part of our premises was destroyed by enemy bombing and by fire, but the front part of the premises was left standing. A wall 20 feet high was built in one and a half days, across the office, screening the damaged from the undamaged portion of the premises, so that work could be resumed. The branch was hit on a Thursday night, but, by 10.30 on the following Saturday morning, after the debris had been cleared away, access was gained to the strong room door, the keys turned in the locks and all the securities, cash and ledgers were found to be perfectly safe and undamaged. Half an hour later our cashiers were paying out wages and all our customers' requirements were satisfied. The office bookkeeping machines had been transferred to an adjacent branch and everything there has continued to work well. In the damaged office at Coventry great discomforts have been borne by our staff, but all have faced the situation cheerfully.

There are other instances of a comparable kind which I could quote, but the examples given show what has been achieved and are typical of the way in which the difficulties have been faced and overcome. In dealing with our special problems the staff have invariably shown great resource and initiative, and the success of their efforts to maintain banking services whenever they have been threatened reflects the greatest credit upon them, as well as upon those members of our head office staff who evolved our own scheme which has made possible such rapid reconstruction of accounts. A valuable contribution to the maintenance of an efficient banking organisation in these times was made by the chief executive officers of the London clearing banks, who, acting in concert, have devised many agreed measures to meet the various emergencies which might arise as a result of the war.

The occupation of the Channel Islands by the enemy created

further problems for the bank, as we have branches in Jersey and Guernsey. Our duplicate record system again justified itself, and those of our customers who left the Islands have been able to continue their accounts with a branch of the bank on the mainland.

One effect of the war is that we have been completely cut off from our Italian Bank in Rome and from the branches of another subsidiary institution, Barclays Bank (France) Limited. It is clear that nothing can be done by us, with regard to these subsidiaries, until after the war, but shareholders will be glad to know that when the control of these banks passed from us the position of both concerns was one of extreme liquidity and was thoroughly sound.

INCREASED STAFF

The number of those on the permanent staff who, on December 31st last, were absent from the bank on full-time War Service was 3,787, which compares with a figure of over 2,000 that I gave to you a year ago. The gaps in our ranks have been made good in various ways. A number of pensioners have returned to help us, and, in certain cases, men who had completed their service on reaching the age of 60 and were about to retire have been invited to stay in the service of the bank for the time being. We are indebted to them, and the experience which they are able to bring to bear is undoubtedly of great value to us at this time. We have a number of men working in the bank as temporary clerks: but the vacant positions have been mainly filled by women clerks, who, I am glad to say, have adapted themselves readily to working conditions in the bank. I would take this opportunity of thanking, on behalf of the board and of the shareholders, all our staff, both permanent and temporary, for the example which they have shown, in the unusually difficult times of to-day, and for the unsparing efforts which they have given so freely to the bank.

I now beg to move: "That the report of the directors produced, together with the annexed statement of the company's accounts as at December 31, 1940, duly audited, be received, approved and adopted, and that a final dividend of five per cent., making ten per cent. for the year, on the 'A' shares of £4 each fully paid, and a final dividend of seven per cent., making fourteen per cent. for the year on the 'B' and 'C' shares of £1 each fully paid, less income tax in each case, be declared, payable on the 8th proximo, to the shareholders registered in the books of the company on December 31st last."

Mr W. M. Goodenough, the deputy chairman, seconded the resolution and it was carried unanimously.

The retiring directors were re-elected, and the auditors, Messrs Price, Waterhouse and Co. and Messrs Kemp, Chatteris, Nichols, Sendell and Co., were reappointed for the ensuing year.

A vote of thanks to the chairman for presiding at the meeting the chairman made reference to the impending retirement of Mr W. N. Seeley, the secretary, and Mr J. H. Beckwith, the chief accountant, each having completed 46 years' service, and conveyed to them the good wishes of the shareholders and of the directors of the bank in their retirement. The proceedings then terminated.

LLOYDS BANK LIMITED

ANNUAL GENERAL MEETING

The eighty-third ordinary general meeting of this bank was held, on the 31st ultimo, at the head office, 71 Lombard Street, London.

The notice convening the meeting and the auditors' report having been read, the chairman, the Right Hon. Lord Wardington, said that he assumed that the report and accounts which had been circulated would be taken as read as usual and, as his address to shareholders had also been circulated, he did not propose to take up the time of the meeting by reading it.

The report and accounts were adopted and the usual business transacted.

The proceedings ended with votes of thanks to the chairman and directors and to the staff.

UNION BANK OF AUSTRALIA, LIMITED

REGULATIONS WORKING SMOOTHLY

The annual general meeting of the Union Bank of Australia, Limited, was held, on the 27th ultimo, in London.

Major-General Sir John H. Davidson, K.C.M.G., C.B., D.S.O., the chairman, who presided, said that for the first time for several years costs showed little increase: those applicable to Australia and New Zealand were slightly down, but that reduction had been offset by increased cost at home due to the maintenance of the various departments of the bank in the country and the necessary A.R.P. expenditure. Taxation, on the contrary, had risen substantially, and its effect had not yet been fully felt.

While control and restrictions were now far-reaching and impinged on almost every operation, both in finance and trade, no undue hardships seemed to have been imposed, and the regulations appeared to be working smoothly. It could hardly be denied that the effect so far, on balance, had been to the present and immediate economic benefit of the community by reason of the stimulus to industry arising out of the war effort and to the purchase by the British Government of all such primary products as wool, butter, cheese, sugar, dried fruits, canned fruits, meat, eggs and certain metals.

Reverting to the affairs of the bank, the balance-sheet total had risen from approximately £49½ millions to £52½ millions. That was due to the rise of some £3,000,000 in deposits. The improvement in their own ratio of advances to deposits was marked, and their degree of liquidity showed a great improvement over that which had existed during the past few years. It was satisfactory that while that had occurred, earnings for the year had been maintained. There was a net profit of £196,958, and, with the sum of £157,851 carried forward, there was a total available of £354,809. The board had declared a final dividend of 4 per cent., less tax, making 7 per cent., less tax, for the year, which left £159,809 to be carried forward, or £2,458 more than the previous year.

The report and accounts were unanimously adopted.

TOBACCO SECURITIES TRUST COMPANY, LIMITED

RESULTS OF A DIFFICULT YEAR

The thirteenth annual general meeting of the company was held, on the 30th ultimo, in London, The Right Hon. Lord Bradbury of Winsford, G.C.B., presiding.

The chairman, in the course of his speech, said: It is usual at our annual meeting to review the important items of the balance sheet. Taking the assets side first, shares in a subsidiary company stand unchanged at £2,000,000. The subsidiary company is Tobacco Investments Limited, which is a holding company holding the bulk of our unquoted investments. Other investments at £3,282,654 show an increase of £280,012 due to our subscriptions to War Loan and War Bond issues during the year.

Advances to a subsidiary company, £804,155, show a reduction of £166,070, representing payments made to us by Tobacco Investments Limited, which payments are made in the ordinary course of our business. Cash at banks at £879,544 shows an increase of £52,186.

Turning to the liabilities side of the balance sheet, there is no change in the capital in form or in amount. Sundry creditors at £221,891 shows an increase of £180,016, due mainly to provisions for income tax and excess profits tax. Capital reserve at £119,207 shows a small increase of £2,152, accounted for principally by profit on American stocks requisitioned by the Treasury. The general reserve remains unchanged at £200,000. This brings me to the revenue account for the year, which shows a net income of £498,909 compared with £385,700 for the previous year, a reduction of £86,791. This reduction in net revenue, however, is due entirely to increased taxation.

At our meeting last year Lord Catto informed you that we were continuing our sales of the much reduced balance of shellac at greatly improved prices; this balance has been sold during the year ended October 31st.

Now as to the future—I am not brave enough to prophesy when the war will be over. I have unbounded faith in our ultimate success, but cannot foretell just when it will take place. The report and accounts were adopted.

WILLIAMS DEACON'S BANK LIMITED

STATEMENT BY THE CHAIRMAN, MR G. P. DEWHURST

In view of existing conditions, and in place of his usual annual address, the following statement has been circulated by Mr. G. P. Dewhurst, chairman of Williams Deacon's Bank Limited, to the shareholders of the bank in advance of the annual general meeting held on January 23, 1941.

From the report you will see that Colonel Sir Edward Johnson-Ferguson, who succeeded his father as a director of the bank in 1906, has decided not to seek re-election at this time, finding that fresh duties in connection with the war make attendances here increasingly difficult. To fill the vacancy thus caused we have invited Mr. Harold Slaney Kershaw to a seat on the board, and I should like in your name to offer Mr. Kershaw a very hearty welcome, feeling confident that his wide experience and knowledge of affairs will be of the utmost value to the bank.

BALANCE SHEET—LIABILITIES

Taking the figures of the balance-sheet, the striking feature on the liabilities side is an increase in our deposits of £9,231,000, or 22 per cent. in excess of the figures of last year, which in turn were a record in the history of the bank. Doubtless the incidence of the various controls and rationing by the Government of shipping, imports and exports and the home trade has been the principal factor in these larger deposits, while the considered policy of the trader and private individual alike to retain profits in his business and keep himself liquid has doubtless also had a similar effect. It is certainly more than a coincidence that the rise in our deposits practically corresponds with the increase of £3,500,000 in our holding of British Government securities through subscriptions to new war issues and the allotment to the bank of £5,500,000 of Treasury deposit receipts, the bank thus acting as a medium for the direction of public and private savings to the Government and giving proof, if it were needed, of our desire to assist the Government in its loan policy for financing the war.

Acceptances and credits opened show a decrease of £278,000 largely owing to the change in the method of financing the import of certain commodities. On the other hand, endorsements, etc., due to increased guarantees given on behalf of customers are higher by £174,000.

ASSETS

Turning now to the assets side of the sheet, our cash, balances with other banks, money at call, bills discounted and Treasury deposit receipts reach the figure of £25,600,000, and taking these five items together they amount to over 50 per cent. of our deposits, the principal increases being £1,900,000 in our cash and £5,500,000 in our Treasury deposit receipts, an item which appears for the first time. The only decrease appearing in these items is for bills discounted, which reflects the lack of commercial bills.

Regarding the advances we have, in common with other banks, to report a decrease, in our case of £1,900,000, caused mainly by changed methods of financing imports due to Government control, retention of companies' profits in their businesses and liquidation of private advances, these reductions having more than offset advance facilities granted in connection with war production and the export trade.

Bank premises account shows a reduction of £28,000, and with no branch extensions undertaken during the year it practically benefits by the full amount appropriated from the year's profit.

I feel confident that the balance-sheet figures I have outlined, which, of course, have only been arrived at after the fullest provision has been made for all weak or doubtful positions, all tend to emphasise the extreme liquidity of the bank's resources, leaving us in a position to give every assistance to our customers in financing their engagements on war production.

PROFIT AND DIVIDEND

Turning now to the figures of profit and loss, our net profit, after making the usual provisions, appears at £292,672 as

compared with £298,863, or a decrease of £6,193. This profit, with the balance of £120,125 brought forward from last year, gives us a total of £412,798 to be dealt with. After transferring £30,000 to premises account we are in a position to pay a dividend at the rate of 12½ per cent. on both our "A" and "B" shares and carry forward to next year's account £148,423 as against £120,125 brought in. If we take into account the extra burden of taxation and the difficulties under which the business of the bank has been carried on I feel we have every reason to be gratified with these results and the evidence they afford of the progress maintained during the year.

You will probably agree that at this time it is hardly appropriate to give more than this brief résumé of the bank's operations, but you may be glad to know that where damage has been incurred to our premises through enemy action the inconvenience to the public has been largely minimised through our system of duplicate records, and we have to be very thankful that so far no loss of life amongst the staff has occurred through such action.

You may also be interested to hear that 171 members of the staff are serving with H.M. Forces and in addition 14 messengers and porters and one V.A.D. from the female staff, bringing the total up to 186. Of the former I regret to say one has been reported killed and to his relatives I should like to offer our deepest sympathy.

TRIBUTE TO STAFF

And now I would wish to convey in your name our very special thanks to the staff for the magnificent way in which their work for the bank has been carried on during the year that has passed. Where one and all have done their best under the most trying circumstances I hesitate to mention the occupant of any one position in the bank, for you can as well appreciate the extra stress and responsibility that has fallen upon the executive and management as you can visualise the trials and discomforts that have been the lot of so many of our junior members. So to one and all I repeat I would like to offer our hearty thanks and keen appreciation of their loyalty and devotion to the service of the bank.

THE NATIONAL BUILDING SOCIETY

A STEADY COURSE

The ninety-first annual meeting of the National Building Society, held, on the 24th ultimo, in London, was presided over by the chairman, Mr. Stanley C. Ramsey, F.R.I.B.A.

The chairman said: For the past year the life of Britain and the Empire has been directed ever more sternly towards furthering the war effort, and in this concentration of energy building societies have played their part. Generally speaking, our policy has been one of prudent retrenchment, which has enabled us to conserve to the full the interests of our members, and to make substantial contributions, both directly and indirectly, to the cause we all have at heart.

The total of shares and deposits entrusted to us amounted to £31½ millions at the time of the balance-sheet, an amount within 1½ millions of the figure for 1939, the highest we have held at any time. Mortgages in aggregate exceeded £32½ millions, and here also the reduction from record figures was correspondingly small. A steady flow of new money still reaches the society, fresh subscriptions and deposits during the year aggregating nearly £2½ millions, a smaller figure than that to which we have grown accustomed in recent years, but nevertheless quite considerable in view of other claims upon investment funds.

The chairman, continuing, said: The enforced pause in the progressive policy of our society should not give rise to impatience, for it permits us to gather our strength in preparation for the calls which will surely be made upon our movement with the advent of peace.

The directors' report and accounts were adopted unanimously.

MARTINS BANK LIMITED

RECORD LEVEL OF DEPOSITS

FINANCING OF WAR EFFORT

MR F. A. BATES' SPEECH

The one hundred and tenth annual general meeting of members of Martins Bank Limited was held at the head office, Liverpool, on Tuesday, January 28th.

Mr. Frederic Alan Bates, chairman, presided, and in his address said:

My lords and gentlemen, may I assume that you will take as read the report and accounts which have been circulated?

It is with deep regret that we have to record the death of Sir James Readhead, Bart., a member of our North Eastern board. He died in May last after eight years of valuable service on that board. His firm have had a long association with the bank, in the affairs of which Sir James always took a keen interest. He was a man of a most likeable personality.

Lord Woolton of Liverpool, as you are aware, is now Minister of Food. On his appointment in April he resigned from the board. We congratulate him on the distinguished office he fills, but regret the loss of his collaboration and sound judgment at our board meetings.

Mr. Robert Vere Buxton, D.S.O., was appointed to the general board in November. As a member of our London board from the amalgamation of Martins Bank with the Bank of Liverpool in 1918, he has given outstanding service, and his varied experience in the city of London will be of great value on the general board.

In July last Sir William Gray, Bart., was appointed to the North Eastern board, where his wide knowledge of that area is highly appreciated by the directors generally.

THE ACCOUNTS

I now turn to the accounts. The main changes are in the deposits by our customers and in the items Treasury deposit receipts, investments and advances. These items are closely related in that they are all affected by the country's vast war effort. Our advances have been much reduced, offsetting the return upon largely increased deposits. Profits have also been affected by heavy wartime expenses and increased taxation, but, notwithstanding, we have been able to show a small increase. At £891,029, they are some £15,000 more than for the previous year. With £330,749 brought forward from a year ago, there is available for distribution £1,221,778. A dividend of 7½ per cent. was paid in July last, and it is proposed to repeat that as a final dividend for 1940, again making 15 per cent. for the year. These two dividends will absorb £624,006. From the balance, £100,000 has been transferred to the staff pension fund, and in view of the difficult times ahead we have considered it prudent to place £150,000 to reserve for future contingencies. We have carried forward £347,772, being £17,023 more than last year.

SECURITY HOLDINGS

The bank's liquid position is maintained. Cash in hand and at the Bank of England amounted to £14,317,000, that is 11.55 per cent. of our deposits, which at the record level of £123,813,000 are up by £12,893,000, while the total of our quick assets consisting of cash, money at call, balances with other banks, Treasury and other bills, and Treasury deposit receipts amounts to £41,267,000, being 33.29 per cent. of our deposits. Further, the bank's short-terms investments amount to £11,006,000.

We are taking a full share in financing the country's war requirements. Our investments stand at £45,628,000, an increase of £11,456,000 on the previous year. This increase, with our holdings of Treasury bills and Treasury deposit receipts, represents funds lent to the Government during last year. Our total holding of British Government securities, including Treasury bills and deposit receipts, is £53,173,000, a large percentage (actually 43 per cent.) of our deposits. In addition, a considerable part of our advances is given directly in connection with the production of war material. This is typical of what all the banks are doing in furtherance of the war effort.

Advances show a decrease of £7,767,000, for reasons of which you are aware. The banks are eager to lend money, and are

in a sound position to do so when the return to peace enables them to resume their normal functions.

Premises account stands at £2,845,000, an increase of £98,000. There is a decrease of £1,078,000 in our acceptances, endorsements, etc., occasioned by the reduction in foreign trade under war conditions.

STAFF

That brings me to the end of my remarks upon our accounts, and in accordance with the general desire, in present days, to curtail proceedings of this nature, I will only detain you a few moments longer. My closing words will be in appreciation of our staff, including our temporary staff, in discharging their duties in very trying circumstances. Along with many other commercial concerns, and indeed with every section of the country's life, we have suffered by enemy action, but I am glad to state not unduly anywhere, and nowhere in a degree to affect our business materially. The arrangements which were made at the outset of the war with such care to meet casualties among our offices and to avoid any interruption of banking service to the public have worked admirably. This reflects the greatest credit on the executive officers and the staff, clerical and manual, of all ranks, but it will not be regarded as invidious if I make special mention of the lady members of the staff for the way they have devoted themselves to their duties, particularly in London and our other large centres which have suffered from bombardment. Our fire watchers and the staff who look after our premises have worked untiringly, and have been the means in several instances of saving our property from serious damage. I have recently visited a number of our branches in those areas which have had to meet bombing attacks, and am proud to say that everywhere I found the spirit of the staff excellent. No effort has been spared in continuing to give our customers a high standard of service.

We have lost by death one member of the staff on civilian duties, and two members in the forces. Others are wounded, missing, or prisoners of war. To their relatives I am sure you will wish to send our deepest sympathy. We have now 607 members in the forces. Our thoughts go out to these young men. We wish them a safe return, and promise them a warm welcome when they come back to their duties in the bank at the conclusion of a victorious peace.—(Applause.)

The report and accounts were adopted.

MIDLAND BANK LIMITED

ANNUAL MEETING OF SHAREHOLDERS

The ordinary general meeting of shareholders was held on January 30th at the head office, Poultry, London, E.C.2.

The Right Hon. R. McKenna (chairman), who presided, referred to the fact that in substitution for the customary address to the meeting there had been circulated with the annual report a statement by him on the affairs of the bank during the past year. (The statement was reproduced in these columns on January 25th.) He then moved the adoption of the report of the directors and the audited statement of accounts; the motion was seconded by Mr S. Christopherson (deputy chairman), and carried.

The following resolution was moved by the chairman, seconded by Mr Christopherson, and carried unanimously:

"That the meeting records with deepest regret the death on active service of 27 members of the staff, the posting of three others as missing, and the death by enemy action of 14 civilian members of the staff; and desires to express its sense of the loss the bank has sustained and its sympathy with the relatives."

Further resolutions were adopted authorising the payment, on February 1st, of a dividend of 8 per cent. actual, less income tax, for the half-year to December 31st last; re-electing the retiring directors, Mr. Lewis H. Walters (deputy chairman) and The Right Hon. Lord Davies; and appointing Messrs Whinney, Smith and Whinney as auditors for the ensuing year.

JUTE INDUSTRIES LIMITED

STATEMENT TO THE SHAREHOLDERS BY THE CHAIRMAN

The chairman of Jute Industries Limited, Mr J. Ernest Cox, has issued a statement to shareholders, which takes the place of the usual address made by the chairman at the actual meeting, and which reads as follows:—

Your directors have decided that, in present circumstances, it is advisable that the annual meeting should be held in Dundee. The attendance is not usually large, and it seems probable that this year the numbers would be even fewer.

This statement is enclosed with the annual report, and, as no speech will be made at the meeting, the business will assume a formal character and will enable both directors and shareholders to carry out their daily tasks without undue interruption.

Since we met last year the company has sustained a severe loss in the death of one of our managing directors. Mr W. G. Fair had been associated with the jute trade throughout the whole of his business life. He was a man of great ability and foresight, qualities which he employed to the full in his consideration of the problems which confront one in a position such as his. His genial disposition and his keenness will be much missed by his colleagues on the board.

You will not expect me to enter into details in my remarks this year. The country is at war, and, as a consequence, the wheels of industry cannot be expected to function as they were wont to do in times of peace. Every trade has its own particular difficulties, and it is not, in my view, necessary for a board of directors to draw attention to them, but rather to exercise their thoughts and aims in the direction of making the best of what must be, and in endeavouring to surmount them in so far as is humanly possible.

Of our partners in this trade—agents, managers, office staff, both at home and abroad, and the workers in our mills and factories, I would, however, like to speak and to offer them on our, and your, behalf, and on the nation's account likewise, unstinted appreciation and thanks for the cheerful manner in which they have faced conditions of work which are strange, and which, in peace time, would be considered uncongenial. One and all have displayed a desire to accommodate themselves to the changed conditions, irrespective of personal feelings.

Production during the past year has not been so great as in the previous period, and this was more evident in the latter months of our financial year. The hindrance to our trade continues to emanate from the import of Calcutta-made goods, to which I have made repeated references, and from which no relief is as yet in sight. Considerable anxiety is expressed by the trade as to the relationship which imports of cloth bear to those of raw jute, and it would seem that, at a time when conservation of shipping space is necessary, preference might advantageously be given to the latter on which employment of British labour depends. Representations have been made in the appropriate quarter which it is hoped will meet with a sympathetic reaction and result in an increased supply of basic war material.

On the accounts I would merely say that the net result is better than last year, and, had it not been for the necessity of making provision for the heavy increase in taxation, would have been considerably larger. From the profit of £128,247 we have deducted the usual sum of £55,000 for depreciation and obsolescence, and have made a further contribution for aid-raid shelters of £5,500. There has also been provided £5,000 to write down the book cost of our holding in the Camperdown Pressing Company Limited in Calcutta, and £20,000 has been transferred to contingent fund.

The Camperdown Pressing Company, as its name denotes, presspacked bales of raw jute for export. For some years it has been increasingly difficult to secure balers, and latterly the rates obtainable for packing the material have become unremunerative. With a surplus of presshouses in Calcutta, and a decreased demand for export, it seemed highly probable that, for some years at least, it would be difficult to meet overhead charges, while the more distant future did not appear to offer any

certainty of more profitable times. When, therefore, a prospective tenant, in an entirely different line of business, approached the company with a view to leasing the buildings, negotiations were entered into and finally a ten years' lease was concluded. We hold slightly more than half the shares in the company, and I am afraid that we cannot expect to receive a dividend for some time, as a debit at profit and loss account must first be eliminated. We are, at any rate, assured that this debt will not be increased, and in time the company should again become a profit-earning concern.

The transfer to contingent fund is, in our opinion, a provision which it is wise to make at this time. We have made, what we believe to be, adequate provision for all liabilities which are known to us, but you will realise that unforeseen changes—sometimes retrospective in their application—are apt to arise, and, as we have so far been unable to set up any reserve fund, it seems appropriate and wise that we should take this opportunity of making a provision of this kind.

After all these deductions, there remains, including the amount brought into the accounts from last year, a sum of £73,292 17s. 5d., out of which we recommend a dividend on the preference shares of 4 per cent., less income tax at 8s. 5½d. in the £, after payment of which the balance amounting to £40,667 17s. 5d. is carried into the new account. There may be disappointment that we have not suggested an increased dividend, but there are cogent reasons why we should conserve our resources until the outlook is clearer. It seems certain that, in the financial year now running, our output will be considerably less than in the last year, and the consequent smaller production will require to carry a larger share of overhead expenses. Wages have risen considerably. Since July, 1939, the Trade Board has granted substantial increases on three occasions. The cost of materials, other than jute, which enters into our manufacture had advanced appreciably, while commodity insurance, extended scales of compensation in cases of accident, and practically every other item, have shown an upward tendency.

I would refer in particular to the advance in wages as affording a danger signal to the trade of the future, when viewed in relations to the scales in force in Calcutta. I trust that in making this statement I shall not be misunderstood. I realise that it is in the interest of industry and the workers alike that the highest wage which circumstances permit should be paid, but, so far as I am aware, there have been no increases granted to mill operatives in India, and consequently the gap between our costs and theirs, which was sufficiently serious pre-war, has been further widened. The inference therefore is that, unless the home market is to be reserved for the products of the hands and industry of our home workers when normal times return, the outlook for our trade has not improved. We have repeatedly pleaded our cause with Government officials, and I fear that you will tire of my renewed reference to this fact. We have received sympathy, but we cannot live on sympathy alone, and, unless it is translated into some tangible action, our furrow will be deep and difficult.

As mentioned in the report, the volume of our export trade has been reduced by the enemy occupation of European countries, but I am glad to be in a position to state that our trade with Empire countries and the United States of America is still satisfactory.

The export group which has been formed for the industry will, we hope, bring trade to this city, and we trust that it will be possible to keep any new connections thus made. It will certainly be our endeavour to do so.

It is clearly impossible to venture any forecast, but one can at least hope that before we meet again next year many, if not all, of our difficulties may have become memories.

Our buildings, plant and machinery, have been maintained in excellent repair, and whenever demand improves, we are fully prepared and ready to meet it. A small amount of new machinery has been installed during the year, but any further additions must necessarily lie in abeyance meantime.

TURNER AND NEWALL LIMITED

MAXIMUM HELP TO NATIONAL EFFORT

PROPERTIES AND PLANT IN HIGHEST STATE OF EFFICIENCY

DEVELOPMENT OF EMPIRE AND SOUTH AMERICAN MARKETS

SIR SAMUEL TURNER'S REVIEW OF YEAR'S OPERATIONS

The annual general meeting of Turner and Newall Limited was held on January 24th in Manchester, Sir Samuel Turner, the chairman of the company, presiding. The secretary, Mr. John L. Collins, read the notice convening the meeting and the report of the auditors, Messrs. Deloitte, Plender, Griffiths and Co.

The chairman dealt with the accounts at some length, as usual, and then explained that under present conditions it was undesirable for him to attempt to go into detail with regard to the nature of the company's present operations in this country; he would therefore only give a very much curtailed review of the company's activities at home and abroad.

PROGRESS OF MANUFACTURING COMPANIES

After referring to the mining companies in South Africa and Canada, and mentioning that while they had produced to capacity during the whole of the financial year under review, production as from October 1, 1940, has had to be somewhat curtailed consequent on the closing of certain markets on the continent of Europe, the chairman dealt with the manufacturing companies situated in the United Kingdom, and said:—

Turner Brothers Asbestos Company, Limited, have had a busy year, and general sales development work has continued to the fullest extent possible under present conditions. This applies not only to Asbestos Textiles but also to the rubber belting products which they manufacture, and the new "V" type rubber belting has made significant progress.

J. W. Roberts, Limited, have, of course, felt the loss of European markets in connection with sales of their speciality "Limpet" sprayed asbestos, but the other sections of their business remain in full activity.

Ferodo, Limited, during the year under review, have naturally experienced a reduction in the demand for their products from the replacement section of the brakelining trade, owing to the present restrictions on private motoring. At the same time, however, increased demand for equipment purposes has been sufficient to offset this reduction. Sales of "Ferogrip" fan belts have steadily increased during the year, and this new department is now contributing substantially to the success of the business.

Turners Asbestos Cement Company have been fully occupied during the past year, as the demand for their products has been stimulated by present conditions. You will appreciate that their products, which are suitable for numerous constructional purposes, are likely to continue in considerable demand for some time to come.

The Washington Chemical Company has during the past year been employed at full capacity in the production of all its standard products based on carbonate of magnesia.

Newalls Insulation Company have also been very fully occupied on contract work and have experienced some difficulty in obtaining the necessary supply of skilled labour. Steps, however, have been taken to establish special training facilities to deal with this problem.

EXPORT TRADE DIFFICULTIES

All our manufacturing companies operating in the United Kingdom have naturally been somewhat handicapped in their export activities by the closing of the majority of the European markets. In every case, however, active steps have been taken to replace these lost export markets by others, and I am glad to be able to tell you that during the year under review the total of the export business obtained by the group was greater than that obtained during the previous year. You will appreciate, however, that the closing of the majority of the European markets was not fully effective during the whole year

in question, and the loss of export trade to Europe will therefore probably be felt to a greater extent during the ensuing year. We have, however, undertaken an active campaign to develop Empire and South American markets and we have every hope that this will be successful in minimising the effect of the loss of European business.

The chairman next referred to the manufacturing companies situated abroad, namely, Keasbey and Mattison Company, Ferodo and Asbestos Incorporated, and Asbestos Cement, Limited, and the progress made by them during the year, and then continued as follows:—

The pension scheme of the group has now completed its fourth year and is operating very satisfactorily. So far as the Robert Turner fund is concerned, you will have noted that the directors again recommend the contribution of £10,000 to the Turner and Newall Welfare Trust Limited for account of the trustees of this fund, which is being steadily built up in order that the means may be available to deal with exceptional cases not covered by the pension scheme itself. I informed you last year that the total cost to the group of pension fund contributions and the holidays with pay scheme amounted to £91,000. For the year ended September 30, 1940, the comparative figure was £94,500.

AIR RAID PRECAUTIONS

A complete financial year under conditions of actual war has necessarily involved substantial additional expenditure in connection with air raid precautions of various kinds. Up to September 30, 1939, £65,826 had been expended in connection with the provision of shelters for employees and certain other precautionary measures. During the year under review a further £51,390 has been incurred on the extension of these measures, including revision of some of the black-out arrangements in order to give the maximum amount of daylight in our factories during normal working hours, extra provision for the protection of vital plant, and, as a result of the adoption of the policy of working during "alert" periods until danger is imminent, the provision of extra shelter accommodation in closer proximity to the actual places in which work is carried on.

Before leaving the subject of air raid precautions, I am sure stockholders would like to know that at the suggestion of certain of our employees it was decided to open a Fighter Aeroplane Fund, and to invite contributions from the directors, managers, staff and workpeople of this company and its subsidiary companies in this country. As a result of very gratifying contributions, which were supplemented by the company, we were able to send to the Minister of Aircraft Production a cheque for £15,000 for the purchase of fighter aeroplanes.

TAXATION AND PROFIT DISTRIBUTION

In recommending a dividend of 15 per cent. for the year on the ordinary stock, your directors are conscious of the disparity between the total profits earned and the amount distributed in ordinary dividend. You will realise, of course, that the one overwhelming reason for this is taxation. While the gross amount of the ordinary dividend recommended for the year represents 8s. for each £1 ordinary stock unit, the taxation liability of the company necessitates the provision of an amount equal to 8s. 6d. per unit, and this in spite of an excess profits standard which is reasonably favourable to the company. I am sure, however, that the ordinary stockholders will be glad that the company is in a position to make this contribution to the National Exchequer, and at the same time distribute a reasonable dividend to its stockholders.

In the conditions which obtain to-day, and which are likely to obtain for some considerable time to come, you will readily understand that it is impossible for me to make any forecast

of the immediate future. Your directors remain satisfied that the policy which I outlined to you last year is the appropriate one in the circumstances, and every effort is being made to contribute the maximum possible to the national effort, without reference to the prospect of immediate reward.

At the same time, all the necessary steps are being taken to maintain your company's properties and plants in the highest possible state of efficiency, and research work, far from being neglected, is being intensified.

POST-WAR PROSPECTS

The future may contain difficulties which we cannot at present foresee, but you may be assured that your board's policy of constant vigilance is not being, and will not be, relaxed in any way, and we remain confident that when the present war has been satisfactorily terminated, your company will emerge in a condition of health and strength, and be capable of resuming its forward policy and retaining its place as one of the foremost organisations in the world devoted to mining, manufacturing and the distribution of asbestos, magnesia and allied products.

In conclusion, may I once more, on behalf of the board and on your behalf, express to the officials and employees of our various businesses at home and abroad, our thanks for their continued efforts, often under extreme difficulties, and assure them that we have every confidence that they will continue to render the efficient and loyal service which has played so large a part in making the Turner and Newall Limited organisation one in which we can all have pride?

The usual resolutions were then passed, approving and adopting the directors' report, the accounts for the year to September 30, 1940, and the balance-sheet as at that date, and authorising the payment of the ordinary dividend of 1½ per cent., making 15 per cent. for the year, subject to income tax, following which Mr R. Starkey, one of the retiring directors, was re-elected a director of the company, Mr C. S. Bell, the other retiring director (having reached the normal age of retirement) not offering himself for re-election.

Messrs Deloitte, Plender, Griffiths and Co., chartered accountants, were reappointed as auditors for the current year.

APEX (TRINIDAD) OILFIELDS, LIMITED

BURDEN OF TAXATION

The twenty-first ordinary general meeting of Apex (Trinidad) Oilfields, Limited, was held, on the 28th ultimo, in London. Mr Walter MacLachlan (the chairman) said that the net profit was £393,617, as compared with £256,049. It had been necessary to reserve £190,000 against taxation in the United Kingdom and Trinidad, as compared with £80,464, and £30,000 had been transferred to general reserve, increasing it to £400,000. The directors now recommended a final dividend of 17½ per cent., less British income tax at 5s. 3d. in the pound, making a total of 30 per cent. for the year.

Shareholders would be interested to know some facts as to the extent to which they in the Trinidad oil industry were contributing towards the nation's financial requirements. Out of the past year's profits of the three companies whose accounts had recently been published, including this company, no less than £1,544,000 was appropriated to taxation and the special levy placed by the Trinidad Government on oil production, whereas the dividends receivable by the shareholders totalled £363,000, of which no doubt a substantial part was also liable to surtax. In other words, the ratio of the division of the profits distributed between the State and the shareholders, without taking any account of surtax, was the State 16s. 2d. in the pound, the shareholders 8s. 10d. in the pound. At the same time, he desired to point out that excess profits tax at 100 per cent., the wisdom of which was now generally doubted, bore with particular severity on a company operating such wasting assets as oil wells, and especially since the requirements of the Government were the factors which now determined the rate at which such assets were exhausted.

As to prospects for the current year, the present trend of prices appeared to be below that of the past year. He could assure shareholders, however, that all the operations on the company's property had made good progress, that their results had continued to prove successful, and that the condition of the property was in every respect satisfactory.

The report was unanimously adopted.

Continued from page 154
tinued supply of steel has affected market sentiment during the past week.

New York Prices

Total share dealings:—Jan. 22, 520,000; Jan. 23, 570,000; Jan. 24, 410,000; Jan. 25, 220,000; Jan. 27, 360,000; Jan. 28, 470,000.

	Close	Close	Close	Close
	Jan. 21,	Jan. 22,	Jan. 23,	Jan. 24,
	1941	1941	1941	1941
1. Railroads				
At. & Ohio	32	32	32	32
Ill. Cent.	13	13	13	13
N.Y. Cent.	13	13	13	13
Norfolk	13	13	13	13
Penn. El.	23	23	23	23
Southern	12	12	12	12
2. Utilities, etc.				
Amer. Tel.	100	100	100	100
Amer. Wks.	6	6	6	6
Pac. Light	37	37	37	37
Pub. Sv. N.J.	28	28	28	28
Stn. Cal. Ed.	26	26	26	26
United Gas	10	10	10	10
3. Commercial and Industrial				
Amer. Metal	18	18	18	18
Am. Roll. Mil.	13	13	13	13
Am. Smelting	41	41	41	41
Anacosta	24	24	24	24
Briggs	23	23	23	23

STANDARD STATISTICS INDICES

(1926 = 100)

WEEKLY AVERAGES

	1941	Jan. 8,	Jan. 15,	Jan. 22,
	Low	High	Low	High
	Jan. 22	Jan. 15	Jan. 8	Jan. 1
347 Industrial	92.8	696.0	90.0	92.8
82 Rail	67.5	28.0	27.0	28.0
40 Utilities	77.8	78.7	78.5	77.8
419 Stocks	70.0	82.1	81.5	79.0
Av. Yield	6.37%	6.13%	6.22%	6.37%

* 50 Common Stocks. (a) Jan. 22. (b) Jan. 8.

DAILY AVERAGE 50 COMMON STOCKS

Jan. 16	Jan. 17	Jan. 18	Jan. 20	Jan. 21	Jan. 22
102.40	102.00	100.90	101.70	100.60	101.20

1941 High: 105.80, January 10th. Low: 100.60, January 21st.

Capital Issues

Week ending	Nominal	Con-	New
February 1, 1941	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	36,740	36,740	35,782
Nat. Savings Cert.	3,209,841	3,209,841	3,208,841
3% Defence Bonds	2,852,105	2,852,105	2,852,105
2½% Nat. War Bonds	162,208	162,208	162,208
3% Savings Bonds	9,477,415	9,477,415	9,477,415
3% Savings Bonds	6,124,914	6,124,914	6,124,914
† Week to January 21st, 1941. † Week to January 21st, 1941, making total since June 25th, 1940, £113,482. (b) Total sales to January 21st, 1941, £212,200,395. (c) Total sales to January 21st, 1941, £23,652,477. (d) Total sales to January 21st, 1941, to January 21st, 1941, £30,246,762.			
Year			
1941 (New Basis)	91,421,809	91,421,809	91,421,809
1940 (New Basis)	378,261,394	378,261,394	378,261,394
1941 (Old Basis)	91,367,083	91,367,083	91,367,083
1940 (Old Basis)	375,337,933	375,337,933	375,337,933
Destination (Conversions Excluded)			
Year			
1941 (New Basis)	91,402,865	19,004	10,463
1940 (New Basis)	25,451,729	54,502	2,597,343
1941 (Old Basis)	91,367,083	Nil	Nil
1940 (Old Basis)	22,632,800	Nil	107,801

"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

London County Council 5 per cent. Stock.—The London County Council will redeem £13,707,446 5 per cent. consolidated stock 1940-60 on April 30, 1941.

Shorter Comments

This Week's Company Results.

Despite a slight fall in the gross and net income of DEBENTURE CORPORATION, the latter from £112,414 to £100,591, the ordinary dividend is maintained at 10 per cent. The gross income of HENEKEYS is slightly higher at £66,511 against £65,326, but the dividend is reduced from 16.8 to 15.52 per cent. in view of a small decline in net earnings. E. G. BROWN & CO., sheet metal workers, have realised an increase in gross profits from £118,328 to £301,223 but net income declined from £48,520 to £45,666. The 25 per cent. ordinary dividend is repeated. WESTINGHOUSE BRAKE earned a substantial improvement in both gross and net profits which have risen from £91,932 to £162,573 and from £83,932 to £141,488 respectively. The 10 per cent. dividend is paid as before. LOTUS LTD., shoe manufacturers, have raised the ordinary dividend from 7 to 9 per cent. Gross earnings are up by over £50,000 to £149,054 and net income from £51,446 to £65,311. Despite a jump in total profits from £67,494 to £91,984, a rise in E.P.T. liability from £13,000 to £41,358 is responsible for a decline in net earnings of R. B. PULLIN from £33,230 to £25,580. Consequently, the 25 per cent. ordinary dividend is reduced to 20 per cent. The improvement in earnings of KAPALA (MALAY) is even more substantial than that of the majority of rubber companies for 1939/40. With gross profits of £50,453 against £19,133 and net income of £28,809 against £12,211, the ordinary capital receives 10 per cent. against nil. Despite a well maintained gross income at £59,733, FINLAY & CO. suffered a moderate setback in net profits from £34,587 to £24,733 and the dividend is reduced from 14 to 10 per cent.

Continued on page 168

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended January 25th, 1941, total ordinary revenue was £62,170,000, against ordinary expenditure of £84,786,000 and issues to sinking funds of £145,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £2,071,396,000, against £633,132,000 (including defence loan issues) for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1940-41	Apr. 1, 1939, to Jan. 27, 1940	Apr. 1, 1940, to Jan. 25, 1941	Week ended Jan. 25, 1940	Week ended Jan. 25, 1941
ORDINARY REVENUE					
Income Tax	510,500	211,108	299,613	26,538	33,580
Sur-tax	83,000	38,390	44,248	3,870	3,680
Estate, etc.	86,100	62,260	63,149	1,040	1,608
Duties	19,000	14,280	11,318	1,150	940
Stamps	21,750	18,852	450	530	530
N.D.C.	70,000	50,583	...	1,854	...
E.P.T.	1,000	800	528	70	150
Other Inland Revenue	769,800	348,588	488,291	33,118	42,342
Total In. Rev.	1,360,191	736,391	960,903	51,460	62,170
Customs	309,350	216,845	247,855	5,448	5,771
Excise	213,550	113,965	157,091	1,985	3,091
Total Customs and Excise	522,900	330,810	404,946	6,533	8,862
Motor Duties	35,000	31,498	33,540	12,106	9,410
P.O. (Net Receipt)	13,291	5,304	8,650	Dr. 300	950
Crown Lands	1,150	970	980	...	140
Receipts from	5,000	4,785	1,012	...	...
Sundry Loans	13,250	14,436	23,484	3	466
Misc. Receipts	13,250	14,436	23,484	3	466
Total Ordinary Revenue	1,360,191	736,391	960,903	51,460	62,170
SELF-BAL. Post Office & Broadcasting	86,222	66,046	71,250	1,900	1,150
Total ...	1,446,413	802,437	1,032,153	53,360	63,320

Expenditure	Estimate, 1940-41	Apr. 1, 1939, to Jan. 27, 1940	Apr. 1, 1940, to Jan. 25, 1941	Week ended Jan. 25, 1940	Week ended Jan. 25, 1941
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	230,000	205,109	209,440	615	581
Payments to N. Ireland	9,400	6,433	6,844	493	615
Other Cons. Fund Serv.	7,600	6,621	6,770	...	...
Total ...	247,000	218,163	223,054	1,108	1,196
Supply Serv.	321,970	114,338	280,925	42,311	63,590
Total Ordinary Expenditure	568,970	332,501	503,979	43,419	64,786
SELF-BAL. Post Office & Broadcasting	86,222	66,046	71,250	1,900	1,150
Total ...	655,192	398,547	575,229	45,319	65,936

The 1939 figures include expenditure out of defence loans.

After decreasing Exchequer balances by £222,024 to £2,782,602, the other operations for the week (no longer shown separately) raised the gross National Debt by £22,898,445 to about £11,011 millions.

MONTH'S CHANGES IN DEBT

	NET INCREASES	NET REPAYMENTS
Treasury Bills	33,991	41% Conv. Loan ... 40
Nat. Sav. Cert.	10,350	Nat. Sav. Bds. ... 30
3% Def. Bds.	11,631	Ways and Means ... 40,455
2½% Nat. War Bds.	3,777	
1940-48	34,160	
3% Sav. Bds.	28,900	
Other Debt	904	
Treasury Depts.	28,000	
Total	149,653	40,525

OTHER ISSUES

P.O. and Telegraph	250
Overseas Trade Guarantees	110
	360

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1st to January 25th, 1940, are:—

	(£ thousands)	Ord. Revenue	960,903
Ordinary Exp.	3,023,979	Gross, brr.	2,078,800
Mis. Iss. (net)	7,016	Less—	
Inc. in balances	388	Sinking fds.	8,320
		Net borrowing	2,070,480
	3,031,383		3,031,383

FLOATING DEBT

Date	Treasury Bills	Ways and Advances Means	Trea- Dry Deposits by Banks	Total Floating Debt
1940				
Jan. 27	811-0	641-3	48-8	1501-1
Oct. 19	836-0	Not available	...	690-1
Nov. 2	845-0	Not available	...	2262-2
Nov. 16	845-0	...	...	...
Nov. 23	845-0	...	...	...
Nov. 30	845-0	1238-6	87-5	2469-5
Dec. 7	845-0	Not available	...	...
Dec. 14	845-0	...	...	...
Dec. 21	845-0	...	...	...
Dec. 31	215-1-8	86-0	50-5	338-0
1941				
Jan. 11	845-0	Not available	...	...
Jan. 18	845-0	...	...	...
Jan. 25	845-0	1340-7	96-1	366-0

TREASURY BILLS

Date of Tender	Amount	Average Rate	Per Cent. Allotted
	Offered for	Applied	Alotted
1940			
Jan. 26	60-0	112-2	55-0
Oct. 18	65-0	129-8	65-0
Nov. 25	65-0	135-3	65-0
Nov. 1	65-0	147-3	65-0
Nov. 8	65-0	139-6	65-0
Nov. 15	65-0	140-8	65-0
Nov. 22	65-0	131-8	65-0
Nov. 29	65-0	132-2	65-0
Dec. 6	65-0	140-7	65-0
Dec. 13	65-0	144-0	65-0
Dec. 20	65-0	139-8	65-0
Dec. 27	65-0	143-8	65-0
1941			
Jan. 3	65-0	133-3	65-0
Jan. 10	65-0	134-7	65-0
Jan. 17	65-0	146-0	65-0
Jan. 24	65-0	139-4	65-0

On January 24th applications at £90 15s. per cent. for bills to be paid for on Monday, Friday and Saturday of following week were accepted as to about 28 per cent. of the amount applied for and applications at higher prices in full. Applications at £90 15s. for bills to be paid for on Tuesday, Wednesday and Thursday were accepted in full. £65-0 millions of Treasury bills are being offered on January 31st. For the week ending February 1st the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

Week ended	N.S.C.	3% Def. Bonds	2½% Bonds	New 2½%	3% Sav. Bonds
Dec. 24	3,175	2,567	9,583	...	...
Jan. 7	1,986	3,119	11,334	8,940	6,854
Jan. 14	2,756	3,373	95	11,830	10,674
Jan. 21	3,210	2,852	162	9,477	6,125
Jan. 28	...	...	48	6,830	4,677
Totals to date	213,450*	212,260*	444,162*	36,877	28,329

* 61 weeks. † 32 weeks.

Interest free loans received by the Treasury up to January 28th amounted to 11,645, of a total value of £26,524,154. Up to January 25th, principal of Savings Certificates to the amount of £28,472,000 had been repaid.

BANK OF ENGLAND RETURNS

(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 2½% basis.	(h) Annas per share.	(i) Yield worked to average redemption—end 1900.	(j) Yield worked on 1.537% basis.	(k) Based on redemption at par in 1946.	(l) Free Income Tax.
(m) Including bonus of 5% free of tax.	(n) Yield on a 2½ per cent. out of capital reserve.	(o) For 15 months to December 31, 1939.	(p) Yield worked on a 2½ per cent. basis.		

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Deprecia- tion	Net Profit	Available for Distribu-	Appropriation					Preceding Year			
						Prof. Div.	Ord. Div.	Ord. %	Free Reserves	+ or - in c/f	Total Profit	Net Profit	Ord. %	
Financial, Land, etc.														
British Tin Investments...	Dec. 31	287,577	...	273,769	306,791	...	273,661	13	...	+ 108	157,491	146,047	7	
Charles Brown Holdings...	Dec. 31	28,634	...	25,366	24,377	...	16,500	7,003	1	...	29,606	24,287	4	
Dalgety & Co.	June 30	1,109,871	...	127,682	251,844	...	105,000	7	...	- 2,318	877,445	106,624	10	
Davenport, C. B. (Holdings)	Oct. 31	59,447	...	48,234	107,796	...	5,750	23,750	10	...	65,044	54,249	7	
Law Debenture Corp.	Dec. 31	75,237	...	32,188	32,188	...	17,461	7	8,977	+ 12,734	82,774	37,702	10	
Iron, Coal and Steel														
Steel Developments...	Dec. 31	4,469	...	4,469	9,632	...	4,119	51	...	+ 350	4,424	4,424	51	
Rubber														
Gan Kee	June 30	5,170	...	2,617	4,885	...	700	...	...	- 393	2,107	808	Nil	
Kapala (Malaya)	Sept. 30	50,453	...	28,800	31,340	...	11,060	17,253	10	...	496	19,133	12,211	124
Killinghall	Oct. 31	18,923	...	15,505	20,007	...	...	14,138	271	...	+ 1,067	7,718	4,875	10
Sembilan	July 31	30,109	768	16,856	18,071	...	3,080	11,827	11	...	+ 1,949	15,543	13,677	10
Shops and Stores														
Finlay & Co.	Sept. 30	59,733	---	24,733	47,318	...	1,437	20,825	10	5,000	- 2,529	59,587	34,587	14
Textile														
Jute Industries	Sept. 30	123,248	55,000	57,748	95,293	...	34,625	---	---	20,000	+ 3,123	111,068	46,068	Nil
Debenture Corporation...	Dec. 31	233,055	...	100,591	168,958	...	29,065	60,190	10	10,000	+ 1,306	234,750	112,414	10
Scottish Consolidated	Nov. 30	74,961	...	24,326	46,146	...	13,500	5,100	3	2,500	+ 2,926	70,268	22,604	3
Seed. Scottish Eastn. Inv.	Nov. 30	78,323	...	25,611	53,210	...	13,217	8,906	5	...	+ 3,488	72,678	25,297	41
Other Companies														
Angostura Bitters	Sept. 30	35,173	320	11,415	14,429	...	6,800	4,250	5	...	+ 365	47,995	18,787	10
Atlas Stone	Oct. 31	58,715	5,000	28,401	57,163	...	27,500	15	...	+ 901	47,444	33,044	121	
Berry Hill Brickworks...	Dec. 31	14,556	...	6,216	8,235	...	2,300	5	...	+ 170	14,088	5,430	5	
Biggins	Nov. 30	44,552	3,617	15,183	12,382	...	2,736	2,738	6	...	+ 689	23,490	11,285	26
Brown (E. G.) & Co.	Sept. 30	301,228	8,857	15,666	56,896	...	3,300	14,875	25	20,000	+ 7,491	118,328	48,520	16.8
Henkeys	Oct. 14	66,511	4,507	10,969	50,046	...	8,500	27,000	15.52	5,000	+ 9	65,326	40,611	7
Lotus	Dec. 31	149,054	...	65,311	78,292	...	5,000	37,284	9	14,765	+ 400	97,769	51,446	15
Lunt (Richard) & Co.	Dec. 31	28,818	...	26,568	47,465	...	800	20,100	15	4,000	+ 1,668	28,062	25,812	10
Paraph Gane & Co.	Dec. 31	52,181	...	13,499	32,227	...	8,088	10,950	10	...	- 539	89,190	11,650	25
Pullin (R. B.) & Co.	Oct. 31	91,981	6,140	25,580	29,776	...	20,000	20	8,000	---	2,420	67,494	33,230	45
Vulcanite	Oct. 31	31,992	...	10,781	14,091	...	1,404	4,312	30	5,000	+ 68	25,602	14,202	45
Westinghouse Brake	Sept. 30	162,573	...	141,188	231,920	...	64,536	10	75,000	+ 1,952	91,932	83,932	10	
Totals (£'000's):														
Week to Feb. 1, 1941	27	3,277	86	1,228	1,852	298	809	---	---	178	+ 33	2,517	1,024	
Jan. 1 to Feb. 1, 1941	76	17,123	698	11,978	15,946	1,872	8,336	---	---	621	+ 249	15,969	11,505	

(a) Includes £5,386 for Founders' Shareholders' dividend.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash. Previous year's rate is total dividend, unless marked* indicating interim dividend

Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
BANKS	%	%	%	%	BANKS	%	%	%	%	BANKS	%	%	%	%
Commercial of Sydney...	31*	...	...	31*	Allied Bakeries	5*	...	...	5*	Lineu Thread	6*	...	...	10
MINING					Associated Paper Mills	9†	13	...	13	London Prod. Clearing	3†	6	...	7
Yukon Cons. Gold	10 cts.	...	...	8 cts.	Atlas Stone	9†	15	...	121	Lotus Ltd.	3†	6	...	6
TEA & RUBBER					Bell and Nicholson	9†	14	...	14	Mid'd-Caledon'n Inv't.	6†	5	...	1-10
Anglo-Ceylon Estates	4*	Feb. 15	...	4*	Bent and Son	12†	20	...	20	Portsmouth Newspr.	1/6ps	...	...	171(b)
Badulpar Tea	21*	Jan. 31	...	21*	Bennett (James)	7†	10	...	81	Redfern's Rubber	(a)8†	(a)12	...	5
Deamoolie Tea	5*	...	...	5*	Berry Hill Brick	...	5	...	5	Scot. United Investors	3†	5	...	6
Eastern Assam Tea	5*	...	...	5*	Birmingham Investm't.	5†	81	...	81	Standard Trust	3†	5	...	6
Pabbolan Tea	5*	...	...	5*	Chester United Gas	3†	51	...	51	Stephens (Henry G.)	...	3	...	371
Rupa Tea	5*	...	...	5*	Clyde Crane & Booth	...	15	...	15	Super Oil Seals	25†	40	Feb. 15	80*
Tara Tea	5*	...	...	5*	Colombo Commercial	6†	110	Feb. 7	110	Third Brit. Fixed Est.	12-80†	...	...	41*
INDUSTRIALS					Dixor, Ltd.	15†	30	Feb. 25	50	Threlfall's Brewery	41*	...	...	15
Adams (Thomas)	11*	Feb. 1	...	21*	Frederic Crepe Paper	21†	5	Mar. 7	8	United Gas	\$1ps	...	...	65
					Guardian Investment	31†	6	...	7	United States Steel	11†	171	Feb. 20	8
					Imperial Tobacco (Gt. Britain and Ireland)	112†	120	...	123	Woolworth (F. W.)	45†	65	...	...
					Liebig's Extract of Meat	7†	110	Mar. 5	111	Yorkshire Electric	6†	8	...	...

† Free of Income Tax.

(a) On £120,000 capital.

(b) On £80,000 capital.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1941	+ or -	1941	+ or -
B.A. and Pacific	29 Jan. 18	\$1,697,000	+ 202,000	35,133,000	- 1,075,000
B.A. Gt. Southern	29 Jan. 18	\$2,324,000	- 707,000	57,613,000	- 4,602,000
B.A. Western	29 Jan. 18	\$773,000	- 176,000	19,945,000	- 1,852,000
Canadian Pacific	3 Jan. 21	\$3,276,000	+ 720,000	9,721,000	+ 2,094,000
Central Argentina	29 Jan. 18	\$1,083,150	+ 34,350	40,842,150	- 11,804,950

† Receipts in Argentine pesos.

UNIT TRUST PRICES

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

Name	Jan. 28, 1941	Name	Jan. 28, 1941	Name	Jan. 28, 1941
See'm'd Brit. Ind'd Inv.	10/3-20/3bld	Nation'l D. Century...	9/71-10/71	Key. Gold	8/0-9/6sd
New British	12/6-13/6	Scottish...	11/11-12/10	Br. Ind. 4th	10/71-12/12
Invest Tr.	7/101-13/6	Univ. 2nd	10/0-11/6	Elec. Inds.	12/6-14/0sd
Bk. Insur.	8/9-10/0*	Inv. Flex	11/9-13/6	Met. & Min.	10/6-12/0
Insurance	14/0-15/6sd	Key. Flex	9/0-10/3	Cum. Inv...	13/6-15/0
Bank	15/0-16/6*	Key. Cons.	12/0-13/0	Producers	5/6-6/6
Set. B.I.T.	10/3-11/6sd*		9/11-10/71	Dom. 2nd	5/0-5/9
			8/41-9/101	Orthodox...	7/6

* Free of commission and stamp duty.

BANK AND DISCOUNT COMPANY BALANCE SHEETS

GLYN, MILLS AND COMPANY (£ thousands)

LIABILITIES	Dec. 31, 1939	Dec. 31, 1940	ASSETS	Dec. 31, 1939	Dec. 31, 1940
Capital	1,060	1,060	Coin, etc., at Bank of England	6,176	6,415
Reserve fund	530	850	Balances, etc., with other banks	2,478	2,203
Bank premises account	310	...	Money at call and notice	6,768	8,778
Deposits	38,062	45,993	Bills discounted	1,039	927
Acceptances	4,706	4,108	Treasury Deposit Receipts	10,624	14,263
			British Govt. securities	955	1,135
			Other securities	11,182	9,911
			Advances	4,706	4,109
			Bank premises	740	740
Total	44,668	62,011	Total	44,668	62,011

BARCLAYS BANK LIMITED (£ thousands)

LIABILITIES	Dec. 31, 1939	Dec. 31, 1940	ASSETS	Dec. 31, 1939	Dec. 31, 1940
Deposits, etc.	461,376	546,915	Cash	58,177	62,1
Acceptances, etc.	15,594	14,978	Balances with other banks	10,161	25,1
"A" shares	5,430	3,430	Money at call and notice	28,713	25,1
"B" shares	11,761	11,761	Bills discounted	67,585	61,1
"C" shares	667	667	Treasury Deposit Receipts	98,841	121,1
Reserve fund	10,750	11,250	Investments	3,723	3,1
			British Linen Bank	750	2,1
			Union Bk. of Manchester	2,547	197,1
			Other Banks	200,847	17,1
			Advances, etc.	15,594	14,1
			Bank premises	7,640	7,1
Total	503,578	589,001	Total	503,578	589,001

BRITISH WHOLESALE PRICES

CEREALS AND MEAT			COTTON—continued.			MISCELLANEOUS		
1941			1941			1941		
1941			1941			1941		
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. Ve.			" 39 in. ditto, 37½ yds., 16 x 15, 8½ lb.			CHEMICALS—		
Eng. Gaz. av. per cwt. (c).....			FLAX (per ton)—			Acid, Oxalic, net.....per ton		
Flour, per 280 lb.—			Livonian ZK			" Tartaric, English, less 5% lb.		
Straights, d/d London			Pernau HD			Ammonia Sulphate .. per ton		
Barley, Eng. Gaz., av. per cwt.(e)			HEMP (per ton)—Manilla, spot			Nitrate of Soda .. per ton		
Oats (e)			J2			Potash, Sulphate .. per ton		
Maize, La Plata, 480 lb., f.o.b.			JUTE (per ton)—			Soda Bicarb. per ton		
MEAT—Beef, per 8 lb.—			Daisies 2/3 c.i.f. Dundee, Nov.-Dec. (new)			Soda Crystals .. per ton		
English long sides			Common 8 lb. cops. (per spindle)			COPRA (per ton)—S.D. Straits, c.i.f.		
Imported hinds			104/40 Hessians, per yd.			12 10 0 12 10 0		
Mutton, per 8 lb.—English			8/40 Hessians, per yd.			HIDES (per lb.)—		
Imported			SISAL (per ton)—African, Jan.-Mar.—No. 1.			Wet salted Australia—40/50 lb.		
Pork, English, per 8 lb.			WOOL (per lb.)—			Hlan, Queensland		
BACON (per cwt.)—Wilts. cut side			Lincoln wethers, washed			Cape, Johannesburg		
HAMS (per cwt.)—Green			Selected blackfaced, greasy			Dred Capes, 18/20 lb.		
OTHER FOODS			Australian scrd. fleece, 70's			English & Welsh Market Hides—		
BUTTER (per cwt.)—All Grades			Cape scrd. average snow white			Best heavy ox and heifer		
CHEESE (per cwt.)—			N.Z. scrd. 2nd pieces, 50-56's			LEATHER (per lb.)—		
Home Produced			Tops—			Sole Bends, 8/14 lb.....		
Imported			64's warp			Shoulders		
COCOA (per cwt.)—			56's super carded			Insole Belles		
Accra, g.f.			48's average carded			Dressing Hides		
Grenada			44's prepared			PETROLEUM PRODUCTS (per gal.)		
COFFEE (per cwt.)—			MINERALS			Motor Spirit, England & Wales		
Santos supr. o. & f.			Welsh, best Admiralty			(a) Kerosene, Burning Oil		
Costa Rica, medium to good			Durham, best gas, f.o.b. Tyne...			Vaporising Oil ..		
EGGS (per 120)—English			IRON AND STEEL (per ton)—			(b) Automotive gas oil, in bulk, ex road tank waggons		
LARD (per cwt.)—Imported			Pica Cleveland No. 8, d/d			Fuel oil, in bulk, ex Instal.		
POTATOES (per cwt.)—			Bars, Middlebrough			Thames—		
English, King Edward			Steel rails, heavy			Furnace		
SUGAR (per cwt.)—			Tinplates (home, i.c. 14 x 20)			Diesel		
Centrifugals, 96", prpt. shipm. c.i.f. U.K./Cont.			NON-FERROUS METALS (per ton)—			ROBIN (per ton)—American		
REFINED LONDON			Copper (c)—Electrolytic			RUBBER (per lb.)—		
Granulated, 2 cwt. bags			Tin—Standard cash			St. ribbed smoked sheet		
Granulated, 2 cwt. bags, domestic consumption			Three months			SHELLAC (per ton)—TN Orange		
West India Crystallised			Lead (d)—Soft foreign, cash			TALLOW (per cwt.)—London Town		
TOBACCO (per lb.)—			Spelter (d)—G.O.B., spot			VEGETABLE OILS (per ton net)—		
Indian stemmed and unstemmed			Aluminum, ingots and bars			Linseed, raw		
Rhodesian, stemmed and unstemmed			Nickel, home delivery			Rape, crude		
TEXTILES			Antimony, Chinese			Cotton-seed, crude		
COTTON (per lb.)—			Woolfram, Empire			Cocunut, crude		
Raw, Mid-American			Platinum, refined			Palm		
Giza, F.G.G.			Quicksilver			Oil cakes, Linseed, Indian.		
Yarns, 32's Twist			GOLD, per fine ounce			Oil Seeds, Linseed—		
" 40's Weft			SILVER (per ounce)—			La Plata (new)		
" 60's Twist (Egyptian)			Cash			Calcutta		
Cloth, 32 in. Printers, 116 yds.								
16 x 16, 32's & 50's								

(a) + 6s. per ton net paper bags, 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 Jan. 18th and Jan. 25th.

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 143.42 bolivianos per £, Oct. 11, 1940.

Colombia.* Sight selling rate 175.50 pesos per 100 U.S. \$, Oct. 16, 1940, for holders of permits buying in the "open" market.

Ecuador.* Sight selling rate 15.40 sucres per U.S. \$, Oct. 25, 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 5.522 cordobas per U.S. \$ (incl. 10 per cent. tax and 1 per cent. comm.), June 9, 1938.

Paraguay.* Sight selling rate 80.25 Paraguayan pesos per Argentine "free" paper peso, Oct. 18, 1940.

El Salvador.* Sight selling rate New York 3-15 colones per \$, Oct. 26, 1940.

Venezuela.* Sight selling rate New York 3-15 bolivares per U.S. \$ since April 27, 1937.

* Exchange controls are operative in these countries.

OVERSEAS BANK RATES

Changed	From	To	Changed	From	To
Amsterdam	Aug. 28, '39	2 3/4	Madrid	July 15, '35	5 1/4
Athens	Jan. 4, '37	7 6	Montreal	Mar. 11, '35	3 1/2
Batavia	Jan. 14, '37	4 3	Oslo	Sep. 22, '39	3 1/2
Belgrade	Feb. 1, '35	6 1/2	Paris	Jan. 3, '39	2 1/2
Berlin	April 4, '40	4 3/4	Pretoria	May 15, '33	4 1/2
Brussels	Jan. 25, '40	2 1/2	Tallinn	Oct. 1, '35	4 1/2
Bucharest	May 5, '38	4 1/2	Riga	Feb. 17, '40	5 1/2
Budapest	Aug. 28, '35	4 1/2	Rio de Janeiro	May 31, '35	3 1/2
Calcutta	Nov. 28, '35	3 1/2	Rome	May 18, '36	5 1/2
Chile	June 13, '35	4 1/2	Sao Paulo	Aug. 15, '35	7 1/2
Copenhagen	Oct. 9, '39	4 1/2	Stockholm	May 16, '40	3 1/2
Helsingfors	Dec. 3, '34	4 1/2	Zurich	Nov. 25, '36	2 1/2
Kyoto	May 14, '39	5 1/2	Tokio	Mar. 11, '38	3-285 3-46
Lisbon	May 11, '36	5 1/2	Wellington	May 27, '40	3 1/2
N.Y. Fed. Res.	Aug. 26, '37	1 1/2	Dublin	Sep. 28, '39	5 1/2

(a) For banks and credit institutions.

(b) For private persons and firms.

AUSTRALIA AND NEW ZEALAND

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

* All rates (Australian and N. Zealand) now based on £100—London.
 † Plus postage.
 ‡ Via Durban and Singapore. By America/New Zealand Air Mail, (Australia) Demand, 126 1/2; 30 days, 126 1/2; 60 days, 127 1/2; 90 days, 127 1/2. (New Zealand) Demand, 125 1/2; 30 days, 126 1/2; 60 days, 126 1/2; 90 days, 127 1/2 (plus postage).

SOUTH AFRICA

(BUYING RATES PER £100 STERLING)

	T.T.	Sight	30 days' sight	60 days' sight	90 days' sight
London on:	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Rhodesia	100 5 0	100 13 0	101 1 3	101 9 6	101 17 9
S. Africa	101 0 0	101 8 0	101 16 5	102 4 0	102 12 9

(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

SHORTER COMMENTS

(Continued from page 168)

J. Cawthra & Co.—Profit, year to November 30, (after E.P.T., Depreciation, etc.), £42,693 (£31,184). Ordinary dividend 15 per cent. gross (9 per cent. free of tax). Reserve £5,000 (£5,000), taxation £15,000 (£8,500). Carry forward £73,762 (£60,284).

Sembilan Estate.—Total revenue £51,342 (£31,710). Estate expenditure £21,232 (£16,167). Net profit £16,856 (£13,678). Total ordinary dividend 11 per cent. (10 per cent.). Carry forward £3,164 (£1,620).

Lunt (Richard) & Co.—Net profit

1940 £28,818 (£28,062). Ordinary dividend remains at 15 per cent. To employees' fund £2,250 (£2,250). To reserve £4,000 (£4,000). Forward £22,565 (£21,897).

Noton (S.) Ltd.—Net profit year to September 30, £13,621 (£12,065). Preferred dividend raised from 8 to 9 per cent. and deferred from 20 to 30 1/2 per cent. To general reserve £1,000 (£1,000). Forward £5,825 (£5,453).

Atlas Stone Co.—Revenue, year to October 31, £58,715 (£47,444). Taxation and E.P.T. £24,514 (£8,600). Net profit £28,401 (£33,044). Ordinary dividend 15 per cent. (12 1/2 per cent.). Carry forward £29,663 (£28,762).

Rand Selection Corporation.—Net profit, year to September 30, £281,583 (£288,900). Dividend again 25 per cent. Carry forward £174,798 (£143,840).

Lotus Ltd.—Trading profit, year 1940. £139,829 (£89,168). Taxation £36,000 (£18,500). Taxation reserve £38,000. Net profit £65,311 (£63,446). Total ordinary dividend 9 per cent. (7 per cent.). General reserve £14,765 (£3,000). Carry forward £13,381 (£12,981).

E. G. Brown & Co.—Total income, year to September 30, £301,228 (£118,328). Net profit £45,666 (£48,520). Ordinary dividend again 25 per cent. To reserve £20,000. Carry forward £18,721 (£11,230).

THE ECONOMIST

Vol. CXL

FEBRUARY 8, 1941

No. 5085

CONTENTS

LEADING ARTICLES

Look to Your Moat	173
Lares and Penates	174
Emergency Powers	175

THE WORLD OVERSEAS

New Railways in Free China	181
America's Labour Reserve	181
Russia's New Lands	182
German Europe	183

INVESTMENT NOTES

Cautious Buying	188
Yield Anomalies	188
The Broken Hill Issue	189

COMPANY NOTES

Hawker Siddeley Report	189
Boot and Shoe Results	189
Further Investment Trust Results	190

THE STOCK EXCHANGES

CAPITAL ISSUES	190
SHORTER COMMENTS	191

THE BUSINESS WORLD

LEADING ARTICLES

Public Utility Prices	184
War and Tobacco Shares	185

FINANCE AND BANKING

Credit Position Eased	187
An Unusual Treasury Bill Tender	187
Silver Output	187
Reimport of Sterling Notes	187
Registration of Guilder Notes	187

INDUSTRY AND TRADE

Unemployment in January	192
Improvement in Overseas Trade	192
Plan for Cotton	192
Retail Trade in December	192
Purchases of Surplus Commodities	192
COMMODITY AND INDUSTRY NEWS	193

COMPANY MEETINGS

CURRENT STATISTICS	197
--------------------	-----

LETTER TO THE EDITOR

Irish Neutrality	180
------------------	-----

Look to Your Moat

THIS is the open season for Nazi menaces. By every channel that Goebbels' ingenuity can devise the threats are being uttered. The barges are ready in the Danube and in the French ports; the Stukas are waiting in Sicily and along the whole Continental coast; the bombers are being loaded up; the submarines are being fuelled; the poison gas tubes rolled out; the invading divisions paraded. It is the most deadly Armada the world has ever known, and its size and weight are daily being magnified by rumour and report, by artful suggestion and "neutral" comment. Hitler's speech to the Reichstag last week was a distillation of the whole concentrate of envy, hatred and malice. There will be no moderation or reticence in the blows that he has in store for us this year. He knows that 1941 may well be his last chance to win the war. We can be sure that he will stop at no the devilry, that he will set no limits to the scope of the slaughter or to the magnitude of the resources he will throw into the attack. There will be no mercy for any of us in the onslaught—and still less if it should succeed.

It is as well that this should be realised. After the miracles of 1940, it was only natural that some grateful illusions should be cherished, and there were those in October and November who allowed themselves to think that the worst was passed, that the famous corner had once more been turned. It is Mr Churchill's greatness as a leader that, just as he never abandoned his hopeful confidence in the summer, he has never relaxed his vigilant warnings during the autumn and winter. Causes for rejoicing have been many: the brilliant offensives in Africa; the astonishing changes in American opinion and policy; the defeat of the day bomber. But these gains have been sideshows, or hopes for the future, or avoidances of disaster that might have been. None of them affects the prospect that, for many dreary months to come, we shall

remain on the defensive. Each of them swells the hope of ultimate victory; none of them alters the fact that we can lose the war in 1941.

To the nation that kept its head all through 1940, there is nothing in this prospect to appal, but there is much that calls for resolution from the many and for clarity of vision from the few. There are two places where the war might be lost this year—the invasion beaches and the trade routes of the North Atlantic. In the war on shipping Hitler has already promised to do his worst; the chances of invasion rest on his generals' estimate of the risks—and perhaps on his own desperation. But whether they come or not, these are the two dangers. There are many ways of winning the war, but only these two of losing it outright. Let us, then, not neglect any of the multitudinous tasks of preparing the victory and planning the peace—but let us fix our most watchful attention on the seas and the coasts. Once again, as in many past years, the watchword must be Halifax the Trimmer's: "Look to your Moat."

It is a high duty and privilege that fall to the British people this year. No one can help us very much. We shall get planes from America, perhaps some ships; but the flood of American material will not begin to be ready until the battle of 1941 has been won and lost. Civilisation has only one champion this year, and for the contest of the spring almost all the cards are already on the table. The people of Britain must—and do—have confidence in the leaders who will have to play the hand, and there will be no hesitating or complaining among any whose orders are to throw away their tricks so that the game may be won.

The Shakespeare Cliff and the seaways of the ocean—these are the bastions that must be held. They are symbols of the strength, the spirit and the wide freedom for which Britain has always stood, and will always stand, in the world.

ECONOMIST BINDING CASES

Attractive binders to hold three months' issues of *The Economist* are still available.

These binders have no wires, clips or metal contrivances, so that each issue can be bound in an instant for permanent reference.

Reading Cases to hold two issues, and made on similar lines, are also available.

Both are bound in full cloth (blue) and lettered in gilt.

The price of the Binder is 5s. 6d. post free (Overseas 6s. 6d.) and of the Reading Case 4s. post free (Overseas 4s. 6d.)

from

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

OFFER TO NEW READERS

Any reader who makes his first acquaintance with this journal with this week's issue is invited to fill up the attached:

To The Publisher, Economist Newspaper Ltd.,
8 Bouverie Street, E.C. 4.

In order to test the value of your publication I should like you to forward it to me by post for the next four weeks. If I then decide to become a subscriber, it is understood that there will be no charge for the copies thus received, but otherwise I shall be willing to pay 4s. to cover their cost.

Name.....

Address.....

Lares and Penates

AMONG the many assaults which the enemy has made upon civilian life and property, the damage sustained by personal chattels is neither the most devastating nor the most vital. None the less, the elementary accessories of living—pots and pans, beds and tables—have an important if indirect influence on work and output, and their destruction on a large scale must to some extent hamper the national war effort. The most outstanding fact about the total loss of these household possessions is that either they must be replaced or their losers must find a new way of living. The immediate official solution, described in the pamphlet issued by the Ministry of Home Security, "After the Raid," is to encourage the benighted persons to find lodging with neighbours or, failing this, to apply to a Government rest centre until arrangements can be completed for billeting or evacuation. This scheme meets the immediate need for accommodation; but it also raises a number of social problems, if it is proposed as anything more than a temporary measure. In the long run certainly, and in the short run probably, the aim of ninety-nine bombed-out persons out of a hundred is to replace their household belongings and to carry on as before. Lodgings and billets are not home—which is more a question of efficient living than just of sentiment; and to forbid replacement would raise more social difficulties than the economic problems which might thereby be solved.

From the more general standpoint of war economy, this general desire to replace goods lost in air raids does, however, set a serious problem. As stocks of furniture, linen, crockery and cutlery, not to mention clothing, become exhausted, the replacement *en bloc* of the ordinary adjuncts of living for thousands of unfortunate persons will cease to be compatible with the concentration of productive forces on the output of munitions. There is, rightly, little possibility that labour and materials will be deflected from their task of equipping the armed forces, and it must be expected that personal and household chattels of all sorts will become exceedingly scarce.

In consequence, it will become more and more important that the task of distributing such supplies as do find their way into the shops should no longer be left simply to chance and the somewhat maimed operation of supply and demand. Most of the goods needed to re-equip homes and hostels are, of course, already within the scope of the official orders which sharply limit supplies to manufacturers producing for consumption purposes. Office equipment, too, falls into the same class: the output of typewriters is limited to 25 per cent. of output in the six months ended May 31, 1940; secondhand machines are practically unprocureable; and the purchase of new machines by City firms whose office equipment was destroyed in the London fire on December 29th has been a matter of extreme difficulty. The restriction is inescapable; but it is obviously undesirable that these firms should be deprived of typewriters they cannot do without, because machines have been acquired by firms for whom they are not an imperative necessity. In the same way, there is a case for preventing the purchase of household goods except by persons who can show good cause: those who have been bombed out; or, as in Germany, persons about to marry and set up a new home, or those who are expanding an existing home to keep pace with an increasing family. In all these cases, distribution could be simply regulated by the issue of special permits to buy. The fact is that some control of retail distribution for those articles whose production and wholesale distribution are already regulated by the Government is essential in every case where it is important to ensure that real needs are satisfied.

Where a reasonable proportion of furniture can be salvaged from the wreckage, there is obviously a strong case for replacing only the most essential losses. Most households could carry on their existing method of life without a considerable proportion of their existing possessions and *bric-à-brac*—the grandfather clocks, the pictures on the walls and the umbrella stands; but probably very few of the people who have suffered from bombing realise that it is a national duty to live without these treasures until the war is over. The general impulse—among those who can afford it—is to replace most things while present stocks last, and, for many, replacement is made possible by higher money wages. It is this consideration, too, which underlines the true iniquity of outbreaks of looting. This wartime crime—burglary in bombed premises—is subject to penalties which, for the English legal system, are unusually severe—primarily, no doubt, because of the exceptional opportunity which air raids provide for the disturbance of public order by desperate characters. But, from the economic and financial standpoint as well, looting must have very grave consequences. By exacerbating the shortage of domestic goods and increasing the general pressure to replace them, it clearly places an enhanced strain on the system of production and distribution for civilian needs, and it powerfully raises the propensity to spend instead of save.

Indeed, in a system where production is controlled, the effect of these fortuitous purchases is most marked in the monetary sphere. If the damage is voluntarily insured under the Government's war damage scheme, compensation will be delayed until the end of the war, and funds for replacement now have to be found from the individual's current resources; and this means, not only that the German bombers have been responsible for an important and undesirable increase in the demand for consumption goods, but also that they have caused past savings to be realised. Moreover, it is probable that loss from enemy action is one of the most important deterrents to saving; in technical language, the velocity of the circulation of money is increased just when it is least desirable. If economic loss is not to be added to social loss, the public must be urged, not only not to realise their investments or to spend insurance moneys, but also not to acquire new household possessions, except in cases of the most unmistakable necessity.

The pill can be sugared in a number of ways. The voluntary principle could be called in to inspire the collection of freewill offerings of chairs and tables from those who have them, for sale at nominal prices to those who have not—the proceeds being donated to Lord Beaverbrook or some other deserving object. Again, it might be pointed out in, say, the advertisement columns of the daily and weekly Press that replacement, so long as danger from the air continues, runs the risk of second loss, while new or continued lending to the Government lays up treasure for the future, when the absorption of post-war unemployment will become a national necessity. And for those who must buy, let them buy in moderation and with the knowledge that dwindling supplies are not exposed to the competition of frivolous or hoarding purchases.

This problem of the household's goods and goods is only one aspect of the complexity of monetary and production policy in time of war. But it is a very practical problem, and its timely exposition by the authorities might prevent an irritating and wasteful muddle. If, before the comparative lull of the winter months comes to an end, the public could be advised about the course to follow when replacing their homes, there would be much less danger of an acute scramble for goods when a new air offensive begins, accompanied by sharply rising prices and a decline in the total of national savings.

Emergency Powers

MEMORIES of D.O.R.A. were fresh enough for the passing of the Emergency Powers (Defence) Act on August 24, 1939, to be taken as a matter of course. Yet, though the object of both Acts was the same—to confer extraordinary powers on the Executive for the prosecution of the war—there are several important differences both in the statutes themselves and in the defence regulations which spring from them.

By the first D.O.R.A., the King in Council was empowered to issue regulations for securing the public safety and the defence of the realm; and provision was made for the trial by courts-martial of offenders against certain of the regulations; most of these were concerned with the requisition of property for military purposes, and espionage. Not until November 27, 1914, was any attempt made to depart from the military aspect of defence. Then, the Defence of the Realm Consolidation Act allowed regulations to be made enabling the Army Council and the Admiralty to requisition munition factories or their output. This D.O.R.A. was supplemented by two amending Acts of 1915: the first allowing a civilian British subject the right to trial by jury—though this right could be suspended in the event of a special military emergency; the other, which was supplemented by the Munitions of War Act of 1915, extending the earlier provisions regarding munition factories to all factories, and conferring powers for supervising and restricting work with the object of increasing the production of war materials—the economic front had won recognition for the first time.

In many respects, the first Emergency Powers (Defence) Act of this war began where D.O.R.A. left off. Authorisation is given for regulations to be made "for securing the public safety, the defence of the realm, the maintenance of public order and the efficient prosecution of any war . . . and for maintaining supplies and services essential to the life of the community." There remained, however, two big qualifications on the powers which the Government could exercise. It was expressly stated that no authorisation was given for the imposition of any form of compulsory naval, military or air force service, which was covered by the National Service (Armed Forces) Act, or any form of industrial conscription; or for the making of provision for the trial by courts-martial of civilian persons.

Soon after the invasion of the Low Countries, the first of these qualifications was removed. The first measure to be introduced by Mr. Churchill's Government was the Emergency Powers (Defence) Act, 1940, which provides that defence regulations may be made "requiring persons to place themselves, their services and their property at the disposal of His Majesty" for war purposes. By this short Act, all limitations on the Government's power to mobilise the country's resources in men and materials were removed. What legislation could do to win a total war it had done.

The clause in the 1939 Act, specifying that there should be no courts-martial, has not been affected. But last summer, when invasion appeared more than a possibility, the Emergency Powers (Defence) (No. 2) Act, 1940, was passed, which allows defence regulations to be made providing for the trial of offenders by special courts. It carefully specifies that the courts in question are not courts-martial. On the other hand, if they are set up, they are to be used for the trial of any offenders; their object is to expedite criminal justice in an urgent military emergency. The courts-martial of D.O.R.A. were for the trial of offenders against the defence regulations only.

Regulation 1 of D.O.R.A. said that "the ordinary avocations of life and the enjoyment of property will be interfered with as little as may be permitted . . . and ordinary civil offences will be dealt with by the

civil tribunals in the ordinary course of law." Business As Usual was, thus, legally blessed. Since this time, with the exception of the ban on courts-martial, there has been no such attempt to qualify the totality of the emergency powers granted to the Executive, many of the defence regulations go much farther than those of 1914-18. There is little practical difference in those relating to the defence of the realm proper, but, in the group of regulations allowing the mobilisation of resources, the present ones are much more sweeping. Under D.O.R.A., regulations were made authorising the Government to take possession of factories or plant, and to require work to be carried on under its directions. But, whereas last time there was power to restrict, but not compel, employment, the present Regulations 54C, 55 and 58 A between them authorise the use of compulsion, both on undertakings to employ persons and on persons themselves to be employed.

Another difference can be seen in the financial side of the economic front. In the last war, regulations empowering the Government to mobilise foreign assets and to prohibit the transfer of funds abroad were not made until the war was half over, and at no time was there a ban on capital issues in the United Kingdom. This time, a separate body of regulations, the Defence (Finance) Regulations, were issued under the Emergency Powers Act as early as August 25, 1939, which, with considerable later amendments, give the Treasury complete control over the foreign exchange and capital markets, and power to requisition gold and foreign assets.

Like the economic front, the home front has won far more legal recognition in the present war than in the last. It is true that D.O.R.A.'s regulations provided for power to detain suspected persons and to prevent the spread of false reports. But in this war the home front regulations are much wider and at the same time more specific. For instance, Regulation 18B, which allows the detention of certain persons without trial, originally gave as grounds for the detention order reasonable cause for belief that the suspected person was of hostile origin or associations, or concerned in acts prejudicial to the public safety or the defence of the realm—grounds similar to those of Regulation 14B of D.O.R.A. But an amendment of May, 1940, gave, as an additional ground, membership of an organisation subject to foreign influence or control, or controlled by persons associated, or in sympathy, with the system of government of an enemy power, the latter part of which was specifically directed at the British Union of Fascists.

Then there is the notorious Regulation 39BA, which makes it an offence to spread reports likely to cause alarm or despondency. The early regulations of D.O.R.A. did, it is true, couple alarm with disaffection; but alarm disappeared in the Consolidation Act, and the final version of Regulation 27 forbade the spread of false reports, and reports likely to cause disaffection, to prejudice foreign relations or the successful prosecution of the war, or to undermine confidence in the nation's currency or finances.

Another interesting contrast is in the treatment of the Press. Last time, insofar as public order and morale were concerned, the restrictions on newspapers were confined to this Regulation 27, which affected everybody. But, under the present regulations, the Press has not only to take care, along with the general public, against causing alarm and despondency and publishing prejudicial reports, it also has a regulation all to itself. By Regulation 2C, if it appears to the Home Secretary that a person is concerned in the systematic publication of matter calculated to foment opposition to the prosecution to a successful issue of the war, he can warn the person concerned, who is liable to prosecution if he persists in the offence. But

under Regulation 2D, if there is systematic publication of similar matter by a newspaper the Home Secretary can, without warning, prohibit any further issues of the newspaper in question. And there is no appeal from his decision.

The prominence thus given to the Home Secretary is repeated in other regulations, and is, perhaps, partly a consequence of the importance allotted to the home front. In the last war the regulations which gave him the initiative were mostly routine ones, such as black-out restrictions or ordering early closing. Under others, such as the power to detain, or to restrict the movement of suspected persons in certain areas, either he acted on the recommendation of the military or naval authorities or they themselves were given the necessary powers—another example of the much more military character of D.O.R.A. Now, however, a person may be detained under Regulation 18B if the Home Secretary "has reasonable cause to believe . . .", and an affidavit that he had reasonable cause has been held by the Court to be a good answer to an application for a writ of *habeas corpus*. "If it appears" to him; if he "is satisfied"; "if, in his opinion"—these phrases permeate the home front regulations. Last time it was "the competent naval or military authority may by order . . ." which was the theme song.

Moreover, in this war it is to civilians, in the persons of the Regional Commissioners, that extraordinary powers can be delegated for quasi-military purposes. By Regulation 16A the Minister of Home Security can declare certain areas to be defence areas, in which persons have to obey the directions of the Regional Commissioner. By Regulation 18BB the Commissioners can be empowered to detain suspects pending the consideration of a detention order by the Home Secretary. And, by Regulation 84A, they can, if the military situation demands it, be empowered to make bye-laws—local defence regulations—for any of the purposes authorised by the Emergency Powers Acts of 1939 and 1940, though such bye-laws must have, if possible the prior, and in any case the eventual, approval of the Minister of Home Security.

Obviously, many of all these powers would only be used in a time of extreme military urgency and, in practice, after consultation with the military authorities. As it is, they remain largely in abeyance. It is true that over a thousand persons have been detained

under Regulation 18B, and the *Daily Worker* and the *Week* have been suppressed, under Regulation 2D, at a time when the military situation is, to say the least, no worse than it has ever been; but there has been no attempt to stifle genuine criticism, whether in the Press or among the public, or to persecute pacifists, and, except in the first defence areas, the Regional Commissioners have kept to their original functions of co-ordinating A.R.P. Although, too, there is little or no judicial check upon some of the powers, Parliament has shown itself ready to pounce upon any abuse. It cannot amend a regulation; it can only reject the whole Order-in-Council containing it if a prayer to that effect is moved within twenty-eight Parliamentary days of its being laid before the House. But it is enough to recall the uproar over the first "alarm and despondency" sentences and the fierce struggle over the second Emergency Powers Act of 1940 to show that in practice a very real check exists.

But Parliament is more than a policeman keeping watch on the Executive, and there is a strong contrast between its attitude towards the emergency powers granted for the home front and those for the economic front. The Home Secretary's powers are wide, but they are negative—they are concerned mainly with prevention. The Minister of Labour, on the other hand, has positive powers to further the war effort, powers which have never before been granted by Parliament—the right, under Regulation 58A, to compel the services of any citizen, man, woman, or child, for any purpose. Yet it is not Parliament but the Government itself which has been worried by this regulation. No sooner had its enabling Act, the Emergency Powers Act of last May, passed into law than it was soft-pedalled, and Mr. Greenwood said later that the Minister of Labour "has far greater powers than he ever contemplated using"—an attitude to which Mr. Bevin has, until now, faithfully adhered. It appears, in fact, that for the Government the Act was merely a political gesture. From recent debates in the House of Commons, however, it is quite clear that Parliament placed a different interpretation upon it and intended it to be the means of an all-out policy to win the war. There is no judicial check upon an Executive which acts *infra vires*. But Parliament can hold a Minister guilty of a breach of trust, not only for abusing or misusing his powers, but also for not using them at all.

NOTES OF THE WEEK

Hitler and Pétain

For some weeks Marshal Pétain received no reply to the letter he sent to Hitler at Christmastime, outlining his views on the Armistice and on the extent of the collaboration which was permissible according to its terms. For economic co-operation he was ready. Hitler's views of France as an agricultural colony of the Reich fitted in well enough with the Marshal's *mystique* of redemption through suffering and subsistence farming. And France's economic plight has been—and still is—desperate enough to warrant co-operation on almost any terms. But military collaboration in the form Hitler demands—bases in the Colonial Empire and German use of French naval bases and the French Fleet in the "defence" of the colonial empire against Britain—is excluded by the terms of the Armistice in which the French colonies were left intact though demobilized, and a guarantee was given that the French Fleet would not be used against France's former allies. The terms of the Armistice were left so unsatisfactory from the German standpoint, because they were a bait to catch the French Generals and were based on the confident certainty of a British collapse. Now—with Marshal Pétain placing himself *au pied de la lettre*—they are very inconvenient. If Hitler is to help the Duce effectively in the Mediterranean, French bases, particularly the fine naval base at Bizerta, and the use of the French Fleet to coop up the British Navy in the Eastern basin would be invaluable.

Of the men of Vichy, past and present, only Laval is prepared for complete subservience. So the drama of the last week has revolved around his unpleasing personality. There have been great comings and goings—Abetz and Brinon between Paris and Berlin, Darlan between Paris and Vichy—and from the diplomatic journeys two points emerge, that Hitler is attempting to force Laval back into the Vichy régime, and that the Marshal is adamant in his refusal to accept military "co-operation." The balance of power is still roughly the same. Hitler's hand includes the cards of two million French prisoners of war, France's economic straits, the disaffection in Paris now canalized in the Nazi-organised *Rassemblement national populaire*. But Pétain still appears to hold the trumps of Britain's continued resistance, the undefeated French Colonies, and the watchful presence there of General Weygand. The most likely outcome is the return of Laval, combined with continued non-co-operation, in any case a sorry and distasteful business.

The African Battlefront

The Imperial forces in Africa have another week of successes to record. On all the fronts of this vast battlefield—Derna is over 1,500 miles from Kassala, and from Kassala on to El Wak is another 1,000—the Italians are

giving ground. On some fronts they are not only losing territory but thousands of prisoners, supplies and war material as well. Derna fell on January 30th, and a stand was expected in the rocky country behind the town, but after a brief encounter the British advance swept on to take Cyrene, which lies only some 50 miles from Barce, the terminus of the railway to Benghazi, the capital, which is only about 100 miles further on. Indeed, it seems more and more likely that the Italians will make little or no stand in Cyrenaica and concentrate their defence in Tripoli. The advance into Eritrea has been even more sensational. Agordat has fallen and Barentu was evacuated by the Italians after a week's stiff fighting. It should now be possible for the forces operating in these two areas to converge on Asmara. The troops advancing from Agordat have the advantage of the railway, an important one, for the terrain is difficult and favours the defender. However, the Italians are taking singularly little advantage of their position and of their intimate knowledge of the country, and it is possible that their precipitate retreat is in part dictated by an increasing shortage of supplies. Since June, virtually nothing has reached Italian East Africa, and there is no hope of making good losses in war material sustained in any engagement. The strategic nemesis which is visited on anyone who creates an empire without looking to its communications is falling on the isolated Italians. And there will be no navy waiting for them on the beaches of Massawa. The British action, on the contrary, is one long illustration of the efficacy of our empire, whose life lines have not been cut. The Australians, New Zealanders and Indians in Libya and Eritrea have come to Africa across thousands of sea miles; in the south, troops from South Africa, Rhodesia and Kenya have breached the frontier of Italian Somaliland, while the canal zone has among its defenders Arab cavalry from Palestine and Trans-Jordan.

Abyssinia Resurgens

"His Majesty's Government would welcome the reappearance of an independent Ethiopian State and recognise the claim of the Emperor Haile Selassie to the throne." When one thinks "of the injustices that are done under the sun," it is pleasant to record that one at least of the major injustices of recent years will be undone and the rights of at least one weak State restored and recognised. Mr. Eden's statement in the Commons will be widely welcomed not only as some small assuagement to a national conscience which has remained—under all the hardening administered by Hitler—a little sensitive over the Sanctions episode, but also as a very statesmanlike approach to the problem of Abyssinia's future status. The British Government have never been under any delusions about Abyssinia. Britain opposed its admission into the League on the grounds that it had not reached a sufficiently civilised standard of living. On the other hand, Haile Selassie was recognised to be a capable and moderate ruler, determined to raise his country to a higher level. His work was interrupted by the Italians, who attacked him in the name of civilisation and used his more corrupt, barbaric and recalcitrant chiefs to bring him down. Italian rule may, here and there, have improved the amenities. It has not altered the character of the people. Haile Selassie, on his return, will face the old problem of imposing reforms on the barbaric fringe of his patrimony, and he has expressed his unwillingness to do so without outside assistance. During the process of reconquest—which with the advance on Gondar is well under way—that assistance can only come from Britain, but Mr. Eden's statement contained the welcome assurance that the Government "consider that any such assistance and guidance in economic and political matters should be the subject of international arrangement at the conclusion of peace." There need be no doubt about the honesty of British intentions on this score. The principle thus laid down represents the direction in which all colonial thinking in this country, official and unofficial, has been moving for many years past. There is in it the seeds of wider experiments in international co-operation for the good of Africa, and it is not altogether irrelevant to compare it with Governor-General Frank's declaration that "Poland is for ever a German State," or the Fuehrer's frenzied promise last November that "no German soldier shall ever be withdrawn from the lands he has occupied."

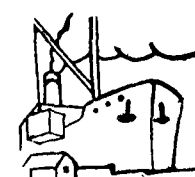
Greece Advances and Bulgaria Waits

With the capture of the Trebesina massif, the Greeks have secured an excellent strategic advantage which makes their familiar manoeuvre of encircling and shelling out an enemy position practicable in the Tepelini sector. The town is reported to be under heavy fire and the Italians may well have started evacuating. Even without the new Greek advance, the position in their rear is growing precarious. The Italians still hold the coast road to Valona, but there are persistent rumours that the Greeks have reached Valona bay. The Trebesina mountain group also commands the road from Klisura to Berat, and heavy shelling may oblige the Italians to undertake a further withdrawal in this sector. The Greek advance is all the more remarkable in that it followed a desperate Italian attempt to secure the initiative in a week's fierce counter attacks along the whole southern front. These attacks have now died down after accomplishing nothing at great cost and they are hardly a recommendation for the military skill of the new Commander-in-Chief. Their failure also suggests that the Italians of their own initiative are incapable of restoring the Albanian front and that it is mainly the wretched weather that holds the Greeks back from even more sensational successes. If this is so, the spring may bring an Italian collapse and however indifferent Germany may be to local reverses, a complete Greek victory accomplished with British aid would represent too severe a blow to Axis prestige and create too dangerous a military situation in the Balkans to be tolerated. The Nazis must therefore make their plans against a further Italian disintegration. Direct help—aircraft, troops, war materials—might not be decisive on so small and mountainous a front. The obvious strategic move is across the easier terrain of Bulgaria to Salonika and the unfortunate Bulgarians continue to exist in the gloomy and nerve-racking condition of pre-invasion. This week the Germans are again pressing Bulgaria to sign the Three Power Pact and troops are massing on the Bulgarian frontier—the invariable accompaniment of diplomatic pressure. The Germans do not, very probably, intend action at once. When it comes it may well be part of a combined Mediterranean feint to throw Britain's defensive position out of balance at home. Delay is not, of course, much consolation for the Bulgarians and there is no doubt that outside the Army Germany is violently unpopular. But internal divisions prevent them from turning anywhere else for support and the country waits its fate in suspended animation.

Compensation for War Damage

The War Damage Bill is moving slowly, but with some profit, through Committee. Amendments have been accepted by the Government on a number of comparatively minor points. But on the two major defects of the Bill—the unfair discrimination against the owner of property which is wholly destroyed, and the unsatisfactory treatment of the relationship of mortgagor to mortgagee—no concessions have been offered save a number of vague promises to look into the matter of sub-

Export
and
Import
Banking
on
Sweden



SKANDINAVISKA BANKEN

sequent legislation when and if serious hardship emerges. The discrimination against the case of total loss is entirely a matter of the prospective value of money. The owner of a destroyed building is to be paid its value at the prices of March, 1939; the owner of a damaged building is to have the damage made good, the State paying the cost of reinstatement at the time the work is done. Clearly if there is no change in the value of money, and the level of building costs after the war (when all but a fraction of the replacement and reinstatement will necessarily be done) is the same as it was in March, 1939, there is comparatively little difference between the two methods. But the experience of the last war and the methods being adopted to finance this war make it virtually certain that the level of building costs will be considerably higher after the war. In that case, the man who has only suffered partial damage will be restored in full, while the man who has suffered total loss will receive a sum of money which may be enough to pay off his mortgage but will certainly not give him an equivalent house to live in. It is this manifest injustice that the Chancellor of the Exchequer refuses to meet. Three arguments are offered. The first and most stupid is that there may not be any inflation of values after all. "Such an occurrence is most unlikely," said the *Times* on Monday; "indeed, it would mean the complete failure of the Government's economic policy." This is an astonishing example of wilful blindness. The pound sterling has already lost about a quarter of its purchasing power, and the fall in the value of money is about as great as at this stage in the last war. There is no excuse for not facing the problem.

The second argument is one used by the Attorney-General, that the great majority of cases will receive "cost of works" treatment and be reinstated in full. It is true that the number of cases of minor damage will outnumber those of total loss; but this does not in the very least affect the fact that those who suffer the most damage will be treated worst. Finally, there is the argument used by the Chancellor of the Exchequer himself. Sir Kingsley recognised the possibility of injustice, but said that nothing could be done about it, since to compensate an owner of a totally destroyed house by building a brand-new house for him would be to replace more than he had lost. But there is no need to do anything of the sort. All that is needed is a simple provision that the number of pounds due on a "value payment" shall be increased in the same proportion as, by ascertainment of the War Damage Commission, the cost of building has increased between March 31, 1939, and the date of payment. It is astonishing how reluctant the Treasury is to admit to its mind the principle of "valorisation" with which every Continental country became familiar after the last war. No increased real burden on the Exchequer is called for, merely another effort to be rid of what Mr Keynes has been calling "the humbug of finance."

The Conditions of Service

The pace and scope of the new industrial mobilisation are still hard to calculate. Last week's proposed changes in the policy of reservation for military service made it clear that one intention is to force men engaged on non-essential jobs to look for war work if they wish to escape calling-up; and the Minister is known to have asked certain industries to prepare schemes to release a considerable number of their workers. Those mentioned have been the manufacture of boots and shoes and hosiery, which employ large numbers of young women; and it is said that the plan is to select certain low age-groups of female labour in particular areas for the first registration. Actually, the policy of registration and call-up for industry is, by all appearances, still to be kept in the background, while the problem of finding, releasing, recruiting and training the new millions for war production is done by discussion and agreement. The trouble is that, if the old methods are to be used—even with this new sense of urgency—the old shortcomings will remain to impede their success. If the flow of workers, first of all from non-essential work, then into training and finally into essential work is to be left to mainly voluntary means, except for the threat of military service, the conditions do not exist for its success. For one thing, no plans have been made to

scale down non-essential industries in such a way, by pooling their resources and concentrating their output in their most efficient units, as to set free the greatest possible number of workers. For another, apart from unemployment, the worst paid and least attractive occupations are, in order, training for war work and serving in the Forces. Work on munitions and so on is, admittedly, well paid—for those already skilled and for those who are fortunate. But the prelude to it, the way of getting in, is poverty-stricken unemployment, poverty-stricken instruction and costly migration. No tank traps are more obstructive—so long as the people concerned can hang on to the jobs they are in. For voluntary transfer to have a chance of even limited success, the wage structure would have to be so constituted that, even with the cost of travelling and rehousing taken in, labour would be stimulated to move to the work and the places where it is most needed. The fact is that the present economic differentials between one occupation and another and one status and another are, over a wide field, calculated to make people stay where they are. The need is not simply for plans to mobilise manpower; but for measures to make sure that no one can benefit by remaining out of the one or the other of the front lines, or lose by taking the path of duty. It means instituting, not only a minimum level of consumption below which no individual should fall, but also a maximum above which no one should rise. It means evolving a system of compensation for all war losses, indirect as well as direct, whether due to calling-up, bomb damage, ruined trade or industrial transfer—either by meeting burdens from State funds or by abating them. And, within this wartime framework of equal sacrifice, it means imposing upon every citizen the obligation to work—not just on the working girls of Leicester but on the leisured ladies of the Shires as well. To talk of conscription is to miss the point. What is wanted are the conditions of service.

Party Lines in South Africa

The outbreak of war came as an earthquake to the structure of South African politics, and there are still plain signs that the process of settling after the shock is far from finished. General Hertzog has left the scene—it is said for good. A number of his followers have formed a new "Afrikaner" party. General Smuts has proclaimed that the South African troops who are tearing at the Italian Empire will fight on to the shores of the Mediterranean—at least. Only last week, there was an ugly clash in Johannesburg between soldiers on leave and Afrikaner extremists of the so-called "cultural" Ox-wagon group. The new party is pledged to the policy of co-operation with the British which, through almost every vicissitude, was the prescription of General Hertzog for the Union's future; and it directly denies the racialism of the extremists among the Afrikaners who drove General Hertzog out when he attempted to rally Afrikanerdom, not against the British, but against the war policy of General Smuts. It is a small party—only 10 members of Parliament out of General Hertzog's former following of more than 40, not half the number who supported the Nationalist Dr Malan in the pre-war Parliament. It should not be supposed, however, that the balance of the Hertzogites have remained in the uneasy alliance with the extremists which General Hertzog himself finally found to be impossible. In fact, to a considerable extent, the reverse is probably true; that is, an appreciable number of them must now be supporters, if not of General Smuts personally, at any rate of the war.

The point is that the new party, so far as can be seen at this stage, is an attempt to find a *via media* that is almost certainly not there. Its members will have no further truck with the "Afrikaner segregation" policy of the extremists, with its invitation to anti-British activities likely to aid the Germans and its affinity to the blood-and-soil doctrines of Nazism, but they are also opposed to what they call the "holistic imperialism" of General Smuts. The logic of General Hertzog's experience, when he found that opposition to the Prime Minister and the war led him into disloyal and subversive circles, is ignored; and the new party (it is reported) still advocates neutrality. Actually, the war has clarified the political situation in the Union. There are really only two sides: those who support the war—which a majority of the population unreservedly approves;

and those who oppose the war, favouring any means to their end, even at the risk of forwarding Germany's ambitions. On the one hand, that is, there is General Smuts; and on the other, there is, not the old leadership of General Hertzog or even of Dr Malan (who is not prepared to be actively disloyal), but the old-Boer and new-Nazi Ox-wagon group, led by Dr Van Rensburg. The elements in between must ultimately shake into one or the other of these two groups; and the fighting in Johannesburg, which seems to have been actually started by the soldiers, who resented the anti-war attitude of the Ox-wagoners, shows how high feeling is running over this issue. What has happened is simple: General Smuts has gained enormously in backing since the war started; a growing majority in the Union is prepared to support the war wherever the tide of victory may take its soldiers; but, correspondingly, the Opposition has grown more stubborn and virulent.

Congress Takes its Time

Not for the first time in American history, Congress is following the movement of public opinion at a leisurely pace. The responsible members of the Administration have made no secret of the anxiety with which they regard the next three months. They have underlined the perils and the need for haste. They have revealed the very disquieting fact that British ordering of munitions—that is, new orders, not the execution of contracts already entered into—has virtually come to a standstill. But the constitutional character of Congress—an independent legislature, without much party discipline or leadership from those who are responsible—imposes delays. It also inevitably, in circumstances such as the present, gives the word to the minority. The majority who support the President will save their breath for the voting, and it would be a mistake if anxious observers in Great Britain formed the wrong impression from the spate of anti-Roosevelt, anti-British oratory that is coming from the Capitol. The Bill has not yet suffered serious amendment. Indeed, the only important amendment—that on conveying by American naval vessels—is far less serious than, on the basis of early cables, was here assumed last week. It merely declares that nothing in the Bill must be construed as authorising conveying; it does not attempt to take away from the President the power that constitutionally belongs to him as Commander-in-Chief of the Navy. When the House passes the Bill, it will be subject to further discussion—and perhaps more serious amendment—in the Senate. But nothing has happened to pre-empt its very good chances of enactment. As for the delay, we must bear it as a vigil—one of those eternal vigils that are the price of liberty.

The Redistribution of Work

On page 183, in our regular summary of economic events in enemy territory (now presented under the title *events in enemy Europe instead of Germany at War*), an account is given of an interesting experiment by which a sort of clearing house for sub-contracting Government work to factories with spare capacity is being operated. This problem of elasticity in the distribution of work is common to every war economy. It arises in the first place from the need to make full use of every available item of industrial equipment, and is made particularly acute by the shift from civilian to military manufacture, which carries with it the danger that the restricted civilian factories will many of them be making only partial use of valuable plant and labour. In the new drive in this country, for instance, to recruit hundreds of thousands of fresh workers for war employment, it is of prime importance that the civilian tradesmen, affected by the cutting down—the boot and shoe and affected by the cutting down—should, by hosiery trades are now under discussion—should, by organised posting, so adjust the work that they are allowed to carry on as to release a maximum amount of plant and labour for Government contracts. Until now, the consequence of restricting civilian manufacture has too often been, not the disemployment, but simply the wasteful underemployment of machines and man-power.

Nor is this simply an industrial problem. The need for pooling and the re-allocation of work by mutual arrangement arises hardly less in the distributive trades.

Retailing and wholesaling are not only sharply affected, naturally, by the curtailment of civilian supplies; they are also thrown out of gear by the considerable wartime movements of the population and by bombing. The quotas of goods supplied to them cease to correspond with their markets; some have too much, while others have too little. At the end of last year, the Board of Trade took up this question of shifting markets with the wholesale textile trade; and in the middle of January a clearing scheme was proposed whereby textile wholesalers with surplus stocks could be put in touch with those whose supplies, for one reason or another, were insufficient. Actually, an informal trade in quotas has already sprung up in connection with almost all goods which come under the Limitation of Supplies Orders; but as the *Monthly Record* of the Manchester Chamber of Commerce has pointed out (referring specially to yarn quotas and the price of finished textiles), the danger of these transactions is that prices to consumers tend to be "rocketed up." In the fields of both distribution and industry, the necessity for Government direction of pooling and transfer arrangements is plainly imperative. There is not simply the need to restrain engrossing and price-raising. It is essential to see that the nation's requirements, and those only, are met; that, on the one hand, supplies are distributed where they are most wanted; and that, on the other, trading and manufacturing firms which surrender their quotas of work actually transfer their labour and plant exclusively to war work.

Ship Warrants and the Blockade

By a slip in a Note on economic warfare last week (p. 148) it was inadvertently stated, with reference to supplies passing to Germany through Soviet Russia, that ship warrants issued by the British authorities have no validity in the Pacific trade. This is, of course, untrue. British navicerts which certify that cargoes are not intended for enemy or enemy-controlled destinations are, it is true, only needed in trade to Europe, certain islands in the Pacific or French and neutral ports in North Africa. Ship warrants, on the other hand, which give the shipowner's guarantee that cargoes will not be run to blockaded areas without navicerts, are needed all over the world before ships can obtain repairs, coal, oil or even water at any British port or bunkering station. Indeed, these certificates constitute practically the only defence which Britain possesses, apart from actual co-operation on the part of the Americas, against the running of the blockade by the Pacific back door; by this means, it is possible to deny to blockade-runners the great range of British port and shipping facilities in the Far East.

Monopolies and the State

A marked feature of economic development in wartime, that is, in periods when markets are dominated by the prospect of scarcity, is the tendency of monopolists to take charge of entire trades. This was so even before the ubiquity of Government control led to the use of legalised monopolies as official agents. At the end of the long war against Napoleon, a commission was set up to investigate "the high price of beer" with special reference to the influence of the brewing ring. To-day, the problem is acute, for one thing because, since British civil servants are never trained (as administrators are,

THE BRITISH LINEN BANK

Incorporated by Royal Charter, 1746

Head Office: 38 St. Andrew Square, Edinburgh

OVER 210 BRANCHES IN SCOTLAND

LONDON OFFICES:

City Office: 38 Threadneedle Street, E.C. 2
West End Branch: 198 Piccadilly, W.1

intensively, in some other countries) in the routine and expertise of particular trades and industries, traders and industrialists have necessarily to be used to operate official controls; they are the working parts of the Ministries of Supply and Food; and, with the best will in the world, it is difficult for civil servants to gainsay the expert advice of business men. Nevertheless, the tendency to farm out control to the largest traders—which was already a feature of State intervention in the Tory years before the war—is disturbing; and, to take one instance, it was a sign of indifference to a development of national importance that the terms of reference given to the committee set up by Lord Reith to consider cement production did not include any investigation into the effects of combination on prices and supplies. This is not to suggest that there was anything at all to uncloak; the point is rather the need for constant vigilance on the behalf of consumers—one of the notable results of the work of the Reconstruction Committee on housing in 1917 was a report on “combinations in the building material trades.” An important instance of quasi-monopolist organisation under the official aegis is given in the Winter issue of the *Fabian Quarterly*. An article on “Meat Policy” rightly praises many features in the strict control by the Government of the wartime trade in meat; but its author makes the criticism that though the Government has been right in selecting large units for supply, it has wrongly given control through the Ministry to the larger wholesalers; the chains of stores of importing syndicates, he says, have been allowed to handle the home-produced meat they once ignored; in transport, by making the Wholesale Meat Transport Association its sole agent, the Ministry has, it is claimed, in effect given this body power to force retailers into affiliation; and the use and

distribution of edible fats are ruled by a committee of manufacturers. There are answers, of various degrees of conviction, to these criticisms; but the fact remains that the officially sponsored monopoly is a portent to be scrupulously watched. At the best, it is a regrettable necessity; at the worst, exploitation.

Shorter Notes

A terrifying sidelight is thrown on the contagion and deadliness of Nazi ideas by the letter sent by the seven Bishops of Norway to the Quislingist Minister for Church and Education protesting against the violence, lawlessness and brutality of the *Hirdmen* (Quisling's Hitler youth), whose watchword is: “We knock down so hard that we destroy sight and hearing, and we return ten blows for one.” And they are living up to it.

The arrangements for sending remittances to British subjects in enemy and enemy-occupied territories through banks in this country have now been cancelled. From January 1st, British subjects detained in such territories, who are willing to be repatriated when facilities exist, may continue to obtain advances from the United States Consul, but in order to avoid duplication of payment permission to effect remittances through banks has been withdrawn. It has hitherto been possible to remit up to £2 a month to officer prisoners of war only through banks. Now, this permission has also been withdrawn, as if the arrangements were extended to all ranks, as was intended, it would involve payment to the enemy of £1,000,000 a year in dollars.

Letter to the Editor

Irish Neutrality

TO THE EDITOR OF “THE ECONOMIST.”

SIR,—Irish readers have been surprised on several occasions during recent weeks at the position taken by *The Economist* on Irish neutrality. Two complaints have been made against the Irish Government: first, that by not placing the so-called Treaty Ports at the disposal of the British Navy it has increased the menace to British and neutral shipping in the Atlantic, and, secondly, that by refusing to enter the war on the British side it has unwittingly and unintentionally rendered aid to Germany. These two complaints are not quite independent. If the Irish Government offered the use of the ports to Great Britain, Eire would automatically enter the war on the British side, while, if it entered the war on that side, all Irish ports would at once become available for the British Navy. In fact, the two complaints are different methods of expressing dissatisfaction at the continued neutrality of Eire.

English people and newspapers are quite entitled to regret that the neutrality of Eire is inconvenient for naval operations in the Atlantic. The same regret could be expressed regarding the neutrality of Portugal and other countries that have the misfortune to possess situations of strategic importance. They are also at liberty to argue that Irish interests would, in the long run, be best served by entering the war as an ally of Great Britain. This argument might be based on grounds either of expedience or of principle, and there would, no doubt, be something to be said in favour of it—and against it. But they are not entitled to assert that the Irish people, by remaining neutral, have “compromised their whole moral position in the world.” The question of Irish neutrality is a matter to be decided by Irish public opinion, correctly interpreted, as it is, by the Irish Parliament and Government.

This is an essential corollary of the principle of Irish nationality for which British Liberalism professes to stand. If it be asked “for what did Ireland's English friends fight so many bitter battles?” the answer is “the right of Ireland to govern its own affairs in its own way.” If the right of self-government be granted in principle, the right of declaring or refusing to declare war cannot be denied in practice. To argue

that unwise decisions may be taken is to raise the eternal issue of self-government against good government, which in the case of Ireland has been decided in favour of the former alternative. To provide the moral justification for forcing Ireland into the war by direct intervention or by economic pressure, it is necessary to retreat to the old Unionist line that the interests of Ireland must always rank second to those of Great Britain. Such action would be an open exercise of power politics, impossible to reconcile either with declared British aims in the war or with the acceptance of the essentials of the Irish nationalist position. Anglo-Irish relations would be brought back to the time and terms of Cromwell.

The question of the Treaty Ports is simple. These ports were transferred to Eire in 1938 by a public act of the British Government, ratified by Parliament. Many people in Great Britain questioned the wisdom of that action at the time, but it cannot now be unilaterally revoked. To argue that the capture by the Germans of the French ports has altered the facts of the situation is no doubt true strategically, but, juridically, it is to seek to apply the principle of *rebus sic stantibus*, which, if valid, can justify the breach of any international agreement. So long as Irish public opinion remains unchanged on the question of neutrality, Eire is clearly entitled to continue in her present attitude, which undoubtedly reflects the wishes of the great majority of the people. If this attitude leads to unfortunate results for the Irish people, they must be prepared to abide by the consequences of their own decision. They are entitled to object to any attempt from without to bring pressure to bear upon them in making up their minds on matters so vital for their future welfare.

YOUR DUBLIN CORRESPONDENT.

[There is little, if any, analogy between Ireland and Portugal. Eire is entirely dependent upon Great Britain's strength, not merely for her future happiness, but for her day-to-day existence. If it were not for the British armed forces, she would be invaded to-morrow; if it were not for the aid of British shipping, she would collapse economically the day after. If the Irish wish to be independent and neutral, let them be so. But to accept all the benefits of dependence and claim those of neutrality too is, indeed, to “compromise their whole moral position.”—EDITOR.]

THE WORLD OVERSEAS

New Railways in Free China

(From Our Shanghai Correspondent)

November 30, 1940.

FREE China is still making strenuous efforts to improve and extend her communications. A great deal of work is constantly carried out on the Burma-Yunnan Road, now Chungking's chief line of foreign communications, but the Road's monthly transport capacity still remains limited to less than 10,000 tons of truck freight. To relieve the Road permanently, the Chinese in recent months resumed the construction of two railways from Kunming capital of Yunnan—northward in the direction of the Upper Yangtze port, Suifu, and westward towards Tali. The materials used in this railway construction are those of the French Haiphong-Kunming Railway's Chinese section, which since the Japanese penetration of French Tongking is being torn up systematically at an average rate of two kilometres a day. The two new railways built to the north and west of Kunming are scheduled to run to an aggregate length of over 300 kilometres, and to be completed by the end of next year. Railway construction also continues in Kwangsi Province, recently evacuated by the Japanese, where a new line is being built from Liuchow north-west towards Kweichow Province. The Liuchow-Yishan section of this line already sees normal railroad traffic, which has thus advanced to within an easy two-day truck journey from Kweichow, capital of Kweichow. Of less economic than political importance is the completion in October of the new mountain motor road in West Szechuan from Yachow (Ya'an) to Kangting (Tachienlu), already passable for small motor cars, and now being widened for truck traffic, which is thus thrust forward to the gates of Eastern Tibet.

Less advance has been made in recent months in Free China in the field of industrialisation. The suppression of the Chinese transit trade through Indo-China, the marooning there of large machinery and motor truck consignments for Chungking, and the Burma Road's three-month closure considerably delayed the execution of a great many industrial projects and completely prevent that of others. Lack of spare parts for machinery is a serious difficulty, hampering numerous plants in operation. Yet a series of new industrial establishments were recently successfully completed and started operating, such as a rubber-tyre plant in Yunnan, some big and many small machine shops, a few chemical works, and several new iron foundries. Japanese air bombing has so far had little effect on Changking and Kunming factories. Free China's industry still expands, though more slowly than a year ago. Szechuen Province alone reports the following industrial growth for the past three years:—472 plants newly established with a capital of over £250 (130 chemical, 96 foodstuff, 67 metal and machinery, 62 paper and printing, 31 electrical supply plants); 339 plants transferred to the Province from Japanese-occupied territory (193 metal and machinery, 37 chemical, 21 electrical supply plants). Many of these establishments, of course, are but of lilliputian size. The number of new industrial co-operatives all over the country continues to increase, some of these developing into big establishments executing large war orders.

The March of Inflation

Yet, despite continuous progress in communications and industries, there is everywhere in Free China a great shortage of industrial products which, combined with the high cost of motor transport and with advancing inflation, has boosted prices of such products to all-time high levels. At Chungking, numerous Shanghai-made

mass-consumption products, such as cotton yarns and cigarettes, are priced between four and ten times higher than at Shanghai. Elsewhere in Free China, industrial goods are frequently still more expensive. Prices of agricultural products also sharply increase in all areas which the new lines of communication bring within the reach of Chungking's wartime economy, with the result that the former low cost of living in such areas disappears, and the decline in the standard of living of tens of millions of people is raising increasingly serious economic and social problems. The Chinese National Government are trying to cope with these problems as best they can by means of official price fixing, the control of the supply of foodstuffs from province to province, anti-profiteering laws and severe excess-profit taxation, but it proves difficult to enforce such measures over an area as huge and as little touched by modern administration as Free China.

America's Labour Reserve

[FROM OUR NEW YORK CORRESPONDENT]

January 17th.

THE business indices for December showed only nominal changes from November, except for non-residential building. The general index of industrial production declined two points, but allowance for the “seasonal” adjustment converted this two-point decline into a 4-point rise. On the other hand, the unadjusted index of department store sales rose from 114 in November to 179 in December; but the adjusted index advanced only from 100 to 101.

This is a statistical picture of an economy occupied at very near what can be termed its “normal capacity.” For example, normal capacity is measured by the 40-

HOW YOU CAN

DOUBLE YOUR PRIVATE INCOME

PURCHASE AN ANNUITY FROM THE

SUN LIFE ASSURANCE COMPANY OF CANADA

(Incorporated in Canada in 1865 as a Limited Company)

Write for particulars to H. O. Leach (General Manager for British Isles)

141 SUN OF CANADA HOUSE, PALL MALL EAST, LONDON, S.W. 1

hour week. As late as October, the Bureau of Labour Statistics reported an over-all average work week of 39.3 hours, although the durable goods industries averaged 41. There is considerable elasticity in this element in the form of overtime, although, of course, at increased cost. There is also elasticity in the labour supply. It appears that the total number of persons engaged in non-agricultural employment in November was about 36,500,000, a figure almost identical with the average of 1929. As the adult population of working age has increased, perhaps five or six millions, since 1939, this figure suggests that there is still a substantial reserve of labour. The availability of this labour, that is, its geographical distribution and its skill or aptitude, is less clear than its numbers. During the past decade, the characteristic movement of the population from rural to industrial areas was held back, and it is estimated that several million employable persons are now scattered in rural areas, where their services find little opportunity. Given the fluidity of the American population, it may be supposed that large numbers of these are being drawn and will in the early future be drawn towards urban industry. Then, of course, there is always the possibility of shifting personnel and plant from its normal use to uses regarded as more essential. In other words, the statement that our economy is operating near normal capacity does not mean that aggregate production cannot be increased, and still less that specific production cannot be materially expanded. It does mean that increases from this level, whether general or specific, will introduce certain phenomena which have so far either been absent or have been relatively inconspicuous.

FEDERAL RESERVE BUSINESS INDICES (unadjusted)

1935-9=100 for industrial production
1923-5=100 for other series

	Nov., '39	Nov., '40	Dec., '40
Industrial production (total)	124	135	133
Manufactures (total)	126	137	138
Durable	140	158	161
Non-durable	115	121	119
Minerals	112	119	110
Construction contracts (total)...	69	99	103
Residential	51	83	81
All other	84	112	120
Factory employment (total)	104	111	...
Durable goods	100	112	...
Non-durable goods	108	109	...
Factory payrolls (total)	104	115	...
Durable goods	105	124	...
Non-durable goods	103	104	...
Freight car loadings (total).....	73	84	77
Miscellaneous	81	95	88
Department store sales	168	114	179
Department store stocks	64	83	...

As this Correspondence has several times stated, it is noteworthy that the great increase in demand since the middle of 1938, or even since the summer of 1939, has produced little effect on the price index. This inertia in the general index rather conceals several relevant facts. For example, there has been a substantial rise in building materials and in building costs—as would be expected from the index of building contracts given above. In consumer goods, a marked shift has been reported in consumer preference, from cheap to more expensive articles, for instance, women's clothes in towns where business is particularly booming. Difficulties in securing delivery are occasionally encountered. But, generally speaking, there is a marked resistance to higher prices.

Russia's New Lands

[BY A POLISH CORRESPONDENT]

THE formal absorption of the Baltic States, Bessarabia and Northern Bukovina into the U.S.S.R. was finally completed last month. The peoples of these territories have elected their representatives to the Supreme Soviet and are represented in the Parliament of the Peoples of the Soviet Union. The voting was, as usual, on one list only—that is, for the candidates of the Communist Party and the so-called "non-party representatives,"

and candidates were nominated by local committees dominated by the members of the Communist Party. Between 80-95 per cent. of the electorate cast their votes for the official candidates; and there were the usual mass demonstrations of workers and peasants.

The Stalin administration has shown considerable finesse in handling peoples of different races and nationalities. It is unlikely that all the electors in these newly-acquired territories voted as they did because of force or pressure. The Soviet authorities, in fact, are doing everything possible to make things easy for the new populations during the period of transition; and the Russian method of dealing with the 23 million peoples in the Soviet's latest acquisitions works more smoothly than the brutal force used by the Nazis in their occupied countries. The method is the same as that which Lenin used in Russia in the years 1923-25 to save the Soviet economy—the so-called New Economic Policy (N.E.P.), very far removed from the strict programme of Communism, but designed to pave the way for the introduction of a fully planned economy.

Co-operation with the Invaders

Each of the Baltic States and the provinces of Bessarabia and Northern Bukovina are now passing through this transitory period. During this stage the population is treated quite differently from the population of Russia proper. This process of the "evolutionary introduction of the Soviet system" and the policy of giving to the different national minorities comparatively considerable autonomy has yielded fairly good results. The new regime has managed to obtain the co-operation, not only of the peoples who were by race and natural structure most closely linked with the Russ, such as the Ukrainians and the White Russians, but also of people like the Latvians, Estonians and Lithuanians. Even the Poles, who are still stubbornly resisting the German invaders, show some signs of co-operating with the Soviet authorities in the territories of Western Ukraine and the other parts of Poland occupied by the Russians. Polish papers appear and Polish schools are open in all the districts with a Polish population; and, though all cultural and educational activities must, of course, be in line with Communist ideology, there is no actual suppression of the Polish language and no tendency to create anti-Polish feelings. The Baltic States have so far received the best treatment, and these countries are still less "socialistic" than any part of the Soviet Union. It is, however, doubtful if this state of affairs will be tolerated for long.

Transition to "Socialism"

The first stages of socialisation were carried out everywhere in the same way. Banks, transport, land and large industrial concerns were nationalised and taken over by workers' committees. The former owners were in some cases elected as directors of their establishments. The land was generally distributed to landless peasants, but farmers were allowed to keep their farms, on the condition that they did not possess more than 30 hectares of land and employed only members of their own family. Only a comparatively small number of collective farms have been organised, and, actually, collectivisation has not been encouraged. Private belongings, including furniture, have not been confiscated, but a system of redistributing houses and flats has been introduced, each person being allowed a specified amount of cubic space, and rent being fixed according to the amount of room-space occupied. Former landlords are often still entitled to rents; and many businesses, especially in distribution, are carrying on as before, though the tendency is for all trade to be concentrated in the co-operatives, private trading being limited to a minimum. People are not prohibited from practising their religion, and churches and synagogues are still open. But a very strong campaign of anti-religious propaganda has been steadily conducted by various atheist organisations.

The relations between the different nationalities—Poles, Lithuanians and Jews in Lithuania; Russians, Jews and Latvians in Latvia and Estonia—are on the whole smooth, and there is little or no sign of serious friction. All the key positions, however, are controlled by Russians from Moscow and other districts of Central Russia, though there is no marked tendency to push the local population out of even important jobs. It is not likely that any appreciable resistance will be shown when these lenient preparatory measures are gradually transformed into the full Soviet system.

German Europe

The Industrial War Effort.—Official pronouncements during the last few months have emphasised the need for still further intensification of arms production. This is, perhaps, surprising; first, because the German armament factories have been working practically at peak production for some years; and, secondly, because other official statements have seemed to view with disfavour any urge to increased effort. In his last Munich speech, for instance, Hitler said that, up to the present, "only a portion of the monthly munition output was being consumed." The newspapers assert that the *Blitzkrieg* has shown an amazingly low record of consumption, wear and tear and loss of material. But they now go on to say that Germany must not make the mistake of being too complacent about the progress of production. What has become apparent in this war, in fact, is that reserves of labour, machinery, stores and vehicles alone do not suffice, but what matters most is quick adaptability to the ever-changing needs of each new phase of the war. The present drive to increase industrial war potential may be, therefore, regarded as the harbinger of important strategic events.

One of the most important innovations in the organisation of German industry during the last few months, it is true, is obviously due to air raids. This is the large-scale transfer of factories from Western Germany to Upper Silesia, Bohemia, Moravia and Poland. These transfers have led to a large demand for improvement and modernisation, for the industrial plants of those Eastern territories can only slowly be adapted to modern methods—even if machinery is transferred as well. In the course of these changes of locality one principle is being strictly observed which has been followed for some time in German armaments production, namely, the greatest possible standardisation of types, particularly in aircraft construction. It is even claimed that, in this way, far-reaching disorganisation by British air activity has been avoided.

Industry in the Protectorate and in Poland is being drawn more effectively into the industrial war effort by yet another reorganisation. As many of the factories have far more orders than they can deal with, the Government has organised so-called "order exchanges," which serve as "clearing-houses" for Government contracts within certain areas. At these exchanges, the factories, by mutual agreement, try to ensure the speedy execution of Government orders; many factories no longer allowed to produce consumers' goods and those deprived of their export markets are enabled to switch over to war production—which they could not do without this clearing system, because they could never obtain raw materials and semi-manufactured goods without offering evidence of corresponding purchases in previous years. It is not easy, however, to see how this system of subcontracting by individual entrepreneurs fits in, either with the rigidity of State control or with the concentration of production that is being intensified in the civilian industries. The output of consumers' goods, it is true, is still steadily falling; but, at the same time, care is taken to ensure that individual factories, whose civilian business has been curtailed, do not just go on working half-time, but rather that more and more works are "closed down entirely," while those which do carry on work at full capacity, in order most fully to exploit both labour and plant. It is hard to see the room in this situation for the clearing-house for sub-contracts—unless it is that the Nazis' notably efficient planning is not proving so efficient in practice.

In the newly-acquired mining districts of Poland, North France, Belgium and Holland, the equipment is being fully utilised for the German war effort, and the German Government has spent large sums for this purpose. New machinery, both for the hauling and load-pose, has been introduced; and, as the German coal industry is experiencing difficulty in finding labour to train, a special training scheme has been evolved for the coal pits which is partly compulsory. Despite the general wage-stop the scheme offers considerable wage inducements, and in future the miner will be the highest-paid worker in Germany.

The production of motor vehicles for the civil population—private cars, vans and lorries—has entirely ceased. Only in exceptional cases are lorries produced for armament factories and tractors for agricultural use.

What remains of the motor industry produces only for export, which, however, is very small, since motor traffic all over Europe is strictly limited now on account of petrol rationing. The motor factories, however, are fully occupied with the manufacture of war materials; and, recently, some of them have even substantially increased their capital in order to meet increased demands.

Permits for Gaseous Fuels.—The compulsory conversion of commercial motor vehicles to the use of liquefied hydrocarbon gases was one of the means adopted by the German Government soon after the outbreak of the war to economise liquid fuel supplies. Fair quantities of these gases (propane and butane) are obtained as by-products in the German coal-oil industry. Until recently these gases were unrationed, but they have now become so popular that the demand for them has out-run the available supply. Now, therefore, users are required to present a "consumer's certificate" before they can obtain liquefied gas. During a transition period, an equivalent quantity of petrol is being supplied to consumers who, although they have the necessary permit, are unable to obtain the gaseous fuel.

Agricultural Supplies.—A recent publication of the *Institut für Konjunkturforschung* dealt with the effect of the British blockade on the food and fat position of the Continent. It points out that, at the outbreak of the war, German stocks of cattle and of pigs exceeded those in 1914 by 7.5 per cent. and 11.5 per cent., respectively. The incorporation of Austria and the Sudetenland in the Reich, it is claimed, did not complicate the food difficulties of Greater Germany, for the grain deficit of one million food calories in these regions can be met by raising the output per acre to the German level.

The *Institut* states that the crops of German Poland can be increased immediately by 20 per cent., and estimates that the Reich will benefit next year by a Polish export surplus of three million tons of potatoes, sufficient to raise two million pigs for slaughter. The *Institut* concludes that import requirements of approximately 6.7 million tons of grain in the German occupied territories of France, Belgium, Holland, Denmark and Norway can be reduced, without causing deprivation, by intensified cultivation of the land for grain crops and a reduction in cattle, pigs and poultry.

Legal & General Life Policies

both participating and non-participating will in most cases

include War Risks within the United Kingdom

in respect of lives who are civilians at the time of completing the proposal

The Society is also prepared to consider War Risks abroad, each proposal being considered on its merits.

Life Assurance is more necessary to-day than ever before—ask for full particulars now.

LEGAL & GENERAL ASSURANCE SOCIETY LIMITED

Chief Administration:
ALDWYCH HOUSE, ALDWYCH, LONDON, W.C.2

Branches in all principal Towns

Established 1836

General Manager: Vernon E. Boys Assets exceed £50,000,000

THE BUSINESS WORLD.

Public Utility Prices

THE cost of public transport and of electricity and gas—the public utility industries—not merely absorbs something like 10 per cent. of the national income, but it enters the budget—and often as an important item—of every firm and of every individual. Increases in public utility charges have much the same effect on the general price-level as stones thrown into a pond, since their influence reaches the furthest corners of the economic system. They are the most strategically placed of all prices and no war-time economic policy can claim to have any substance unless it takes them fully into account. The most obvious rule that should be laid down is that there should be no “excess profits” in the public utilities in war time; the net revenues of the industries should not rise above the limits imposed by the need of maintaining plant and machinery in good condition and of permitting a reasonable return on the capital invested. These are inevitably question-begging phrases; but the principle is plain enough. But clearly it is only the beginning of a war-time policy for strategic prices. In some cases, where the damage that would be done by price increases would be very heavy, it may be preferable to compensate the public utilities for rising costs out of the public purse rather than out of increased prices. In other cases, where the incidence of rising costs has been unequally spread over an industry, some measure of pooling may be necessary. Or again, where an industry is prosperous and has built up large reserve funds, it may not be inequitable to refuse a rise in prices in strict proportion to the rise in costs. On occasion, it may be advantageous to permit an increase in prices, but to relieve certain classes of those who would suffer; thus it may be considered to be against the nation's interest to add the whole of the increase in the cost of shipping services to the price of exports, and it was considered to be contrary to the public interest to apply the second increase in railway charges to workmen's tickets and season tickets. Finally, to secure more efficient use of facilities which have become scarce in war-time, it may be advisable to secure some measure of financial community of interest between undertakings which normally compete. Wartime price policy in the public utilities cannot be a simple matter; it should exercise the highest qualities of discriminating judgment on the part of those who are ultimately responsible—that is, of the economic members of the Government.

Of the three main branches of the transport industry, the railways have been distinguished in peace-time from road transport and shipping by the greater degree of control to which they are subject. In war-time, however—or at least in this war—the railways have escaped the full measure of control that has been imposed on shipping. They have not been taken over by the Government, as in the last war, and though they are subject to the directions of a Railway Executive Committee which is itself the servant of the Minister of Transport, the Committee is in fact composed of the general managers (or other representatives) of the railway companies. The financial arrangements were also designed to preserve to the maximum possible degree the independence of the railway companies. The main outline of the Agreement is well enough known from the controversy it has excited. It provides what is intended to be a virtually automatic correlation between costs and charges. If costs are certified to have risen, then the Railway Executive Committee must recommend, and the Minister of Transport can hardly refuse, increases in charges calculated to bring in an equivalent amount. The

proposed increases in charges are scrutinised by a Consultative Committee—substantially the same in membership as the Railway Rates Tribunal—but its recommendations are confined to the form that the increases shall take, and it is not called upon to give an opinion on the advisability of the increases themselves. Under this machinery there have been two increases—the first in May, 1940, of 10 per cent., and the second, in December, 1940, of a further 6½ per cent. of the pre-war rates. (These percentages were not universally applied to all charges.) The machinery has been specifically designed to ensure that railway charges shall depend upon costs alone and that other considerations shall be excluded. Thus, even in the somewhat unlikely contingency that the net revenue produced by increased charges should be larger than a reasonable return on the railways' capital (defined as the “standard revenue” of the Act of 1921), the excess is not to go to the consumer of railway transport, but to the Exchequer.

Merchant shipping has been requisitioned by stages. The last category to be requisitioned, at the beginning of the present year, was the tankers. Before the war, with the exception of the Conference rates for liners and the not wholly successful attempt of the Tramp Shipping Administrative Committee to put a bottom into the rates charged by tramp vessels engaged in the principal grain trades, shipping freights were determined in free—often in subsidised—competition. Since the war, however, the Ministry of Shipping has secured control over the greater part of the world's shipping and is in a position to control freights. For individual rates, the Ministry is free to discriminate upwards or downwards in the national interest; but for freights as a whole it is instructed to follow the principle of balancing income and expenditure, so that freights as a whole depend upon costs as a whole. The rates of hire for British ships, which have been agreed with the shipping organisations, are divided into basic rates—covering running costs (wages, stores, insurance of normal risks, etc.)—and fixed allowances for depreciation and interest on capital. The basic rates are adjusted from time to time; the fixed allowances, being based on the pre-war cost or value of the ship, remain unchanged. The Ministry itself bears the cost of fuel, dues and war risk insurance. In the absence of the necessary data and the complete change in circumstances, it is impossible to calculate the average increase in shipping costs. Nor, in view of the policy of discrimination and of the non-disclosure of the rates charged for Government traffic, is it possible to estimate the average rise in freight rates. The advance must have been substantial. To take two representative trades: the outward coal trade to the Lower Plate, and the homeward grain trade from the Plate to this country. In the former, controlled rates have recently been given at 38s. per ton, against an average of 13s. 3d. per ton in 1939; in the latter the rate charged by neutral vessels towards the end of 1940 was 115s. per ton, compared with an average of 21s. per ton in 1939. The level of shipping freights has an influence out of all relation to the income of the shipping industry—as the first few months of the war demonstrated so clearly. It should at least have been considered whether the money saved by the policy of requiring the Ministry of Shipping to be self-supporting was not the most expensive economy that could well have been contrived.

Compared with either the railways or shipping, the road transport industry has been strikingly exempt from control. Indeed, there can be said to have been some relaxation of control, for the greater part of the control

mechanism set up before the war was intended to limit the liberty of the industry to expand and was clearly inappropriate against the background of a shortage of all forms of transport. Unlike the railways, the road hauliers have no uniform system of charges, and the attempt to formulate such a system, initiated by the railways' demand for a “square deal,” was abandoned. Freed from the extreme pressure of competition and faced with a rise in costs, road haulage rates have risen considerably. Figures that have been quoted in the *Commercial Motor* indicate that the cost of running a goods vehicle has risen since 1938 by about 20 per cent. for the lighter lorries and by a slightly higher proportion for heavier vehicles. The largest items in this increase are wages (which have increased by rather less than the average of all costs) and the cost of petrol (which has risen by 40 per cent.), but there have also been heavy proportional increases in the cost of insurance, tyres and repairs. Accurate information on the course of rates charged is not available, but it is probable that the average rise has been slightly higher than the rise in weekly running costs, the difference being explained by the increased difficulty of securing economic loading. Regulation 55 of the Defence (General) Regulations, 1939, gives the Ministry of Transport the power to control charges, and last October the Minister requested that no general increases in rates be made “without submitting the proposals to the Regional Traffic Commissioners.” But Government control over charges has hitherto been far from strict or comprehensive, partly, no doubt, owing to the enormous difficulties of standardising haulage services.

The price policy of the gas and electricity industries was already closely controlled before the war, but the system of statutory control, administered by the Ministry of Transport in the case of electricity and by the Board of Trade in that of gas, differs, partly for historical reasons. Prime costs have naturally risen with the advance in the price of coal and other materials, but the incidence of the increase has been very uneven, as undertakings in some areas have experienced a substantial fall in sales while those in other districts have been able to maintain them. While electricity undertakings still operate within the price regulations in force before the war, gas undertakings have been enabled to increase their charges with a fall in output by an Order issued after the outbreak of war. (It is interesting to note that the principle of relating charges to changes in the volume of turnover, though operated in this case against the consumer, is excluded from operating in his favour in the case of the railways.) The increase in charges, like that in costs, has been far from uniform.

Thus, of the electricity undertakings, numbering between 200 and 300, that have notified the Electricity Commissioners of a rise in charges, the majority have raised them to yield increases in revenue per unit sold ranging up to 20 per cent. A few undertakings that have suffered heavily from war conditions have raised their tariffs to yield as much as 50 per cent. more per unit sold. The Minister of Transport, however, pointed out in the House of Commons on February 7, 1940, that he would not hesitate to use his powers under the Defence Regulations to ensure that an unjustified burden was not placed upon consumers if it were shown to his satisfaction that the prices of any individual undertaking had been raised to an unreasonable extent, even within the limits of the authorised maxima.

In general, the Government appears to be guided in its policy towards public utility industries by the principle of allowing costs to be passed on to the consumer in increased charges, irrespective of whether their profits were high or low before the war. As a result there has been a widespread rise in charges which has given a decided upward twist to the general price level. While the policy of virtually guaranteeing pre-war profits—a privilege that is not shared by industry generally—is questionable, the Government does not seem to have given sufficient thought to the possibility of preventing, or slowing down, increases in charges, where it is to the general good, by the pooling of revenue or by other means, or, if necessary, by drafts upon the public purse. Nor, except in the case of shipping, has sufficient use been made of the possibility of discrimination between the charges made for different purposes, according to their importance in the war effort. Indeed, there seems no valid reason why the principle of charging adopted by the Ministry of Shipping should not also be applied to rail and road, assuming that the road haulage industry is to be fully controlled. Again, if some gas and electricity undertakings have been hard hit by evacuation or enemy action, and have been allowed to advance their rates by 50 per cent. or more, one solution would have been the formation of a pool for the earnings of these industries in order to spread the advance in costs over the industries as a whole.

Indeed, a search for an enlightened price policy in relation to public utility undertakings ends in disappointment because no such policy can be discovered. Each industry has been treated in isolation by the Government Department concerned. True, the conditions in which they operate differ widely, but it is surely not beyond the bounds of possibility to lay down, in a set of principles, the price policy most suitable to conditions of war.

War and Tobacco Shares

ON its record since the outbreak of war, tobacco comes near to being that Philosopher's Stone, Shareholder's Dream, and Chancellor's Delight—a commodity in completely inelastic demand. Although consumption statistics are unavailable, all the evidence suggests that the industry has taken heavy wartime increases in taxation and the war itself in its stride. The history of the last seventeen months, in fact, lends some colour to the “tobacco legend” of imperviousness to ill-fortune and infallible capacity to benefit from favourable chance, which has made tobacco company shares well-established favourites with conservative investors of all classes. Hardly any general unit trust formed before the war failed to include Imperial Tobacco (of Great Britain and Ireland) or British American Tobacco in its portfolio. And little more than a fortnight ago the chairman of the latter company gave “the interests of the numerous small stockholders” as a reason for the dividend policy which the company chose to follow.

This “legend” is worthy of closer examination, in the light of events and tendencies since the war started, because it is, in fact, the real security, and the only security, for Stock Exchange investment in tobacco shares. There are few industries about whose internal affairs the world knows less; for those responsible for the administration of the biggest tobacco concerns have made of reticence a fine art, and carried to its logical

conclusion the principle that dividends speak louder than words. There are, however, exceptions to all rules, and the last annual speech of the chairman of Carreras, the largest company outside the “Imperial” group, included an informative review of trading conditions in the first year of war, which certainly suggested that so far the “legend” has been largely borne out by facts.

Such difficulties as have arisen are certainly not on the demand side. The company's plants—including an auxiliary factory recently opened—are working at full capacity. The chief problems are productive, distributional and financial. The productive problem arises because manufacturers are allowed to clear 90 per cent. of normal tobacco supplies from bond, but import and currency restrictions do not permit of anything like proportionate replacement by new supplies of leaf from abroad. The distributional problem is due to evacuation of large numbers of people from the great cities, the development of war work in new areas, and the stationing of ever-increasing numbers of Army and Air Force personnel in new camps and barracks. The export position, however, has presented, on the whole, fewer difficulties than might have been expected, since lost markets in Europe were far less important for the tobacco trade than the much larger number in the rest of the world with which communications are still maintained. The financial problem is the result of three

Telegraphic Address : KANSALLISPANKKI

187

(a) Free of Tax. (b) Subject to Tax.

On the whole, therefore, the market's favourable, but cautious, estimate of tobacco share prospects may be as nearly right as any estimate can be in war-time, when nothing is certain and everything is possible. The verdict would seem to be, that investors who have tobacco shares in their portfolio should continue to hold them, but that any rise in their value, during the war, must come from a resumption of the recent upward tendency in equity shares generally, rather than from causes peculiar to the tobacco industry.

The short month of February is introducing its customary complications in the weekly tenders for Treasury bills. On Friday of last week the bills to be applied for fell into two scales: 88-day bills dated Tuesday of this week and 89-day bills dated all other days. The market syndicate appears to have spread its applications fairly evenly over the week, bidding £99 15s. for the 89-day bills and £99 15s. 1d. for the 88-day bills. The competition was exceptionally keen, as might have been foreseen from the fact that at the corresponding tender, three months previously, applications reached what was then the record level of £147,270,000. There was evidently a substantial volume of semi-official holdings of bills maturing, and to ensure their renewal the authorities, acting as agents of the holders, raised their bid price for the 89-day bills to £99 15s. 1d. At this figure all applications for both 88-day and 89-day bills were allotted in full, the actual amount of bills issued being £64,955,000, or £45,000 short of the maximum on offer. The market syndicate was allotted in full on its application for Tuesday bills, but missed the bills dated on other days of the week. The syndicate thus found itself with an allotment of bills equal to between 20 and 25 per cent. of the quota application of £65 millions. All these bills had to be taken up and paid for on Tuesday of this week. The outcome of the tender has been to reverse the slight recovery in bill rates which had been expected to develop this month. The average rate of discount on all bills allotted was £1 0s. 2.84d., compared with £1 0s. 4.40d. per cent. for the previous week.

The restrictions on the imports of Bank of England notes into the United Kingdom were further tightened up at the beginning of this week. From February 1st the right granted to anyone entering the United Kingdom to bring with him £10 of bank notes (a right conceded last August when a general ban on the re-import of bank notes was announced) has been restricted to *bona fide* travellers. The restriction of this facility is clearly aimed at seamen and others who in the course of their normal occupation make frequent journeys between the United Kingdom and neutral ports in which free markets in bank notes have developed. In Lisbon, for example, the Bank of England note has recently been quoted in terms of dollars at a discount of about 50 per cent. on the official sterling-dollar rate.

A decree recently promulgated by the Netherlands Government required refugees from Holland residing in the United Kingdom to register guilder notes in their possession with a Netherlands consulate during the fortnight which ended on February 4th. These notes have been stamped by the consulates in question, and from now on it is only to stamped notes that the facilities for conversion into sterling will apply, that is, at the rate of £10 per week. The registration of refugees' guilder notes must be regarded as a precautionary measure to guard against the possibility of notes making their way out of occupied territory, and being presented for conversion into sterling. In the case of Belgium and France such registration was required very soon after the influx of refugees from those countries was completed. That Holland should now have followed suit need not be taken as an indication that a sudden influx of guilder notes into this country has been discovered. It is a wholly precautionary measure applied at a time when the supply of guilder notes remaining in refugees' hands must have dwindled to very small proportions indeed.

THE TRUSTEE DEPARTMENT
54 LOMBARD STREET, LONDON, E.C.3
27 REGENT STREET, LONDON, S.W.1

£190,955 to £202,002 and in the rate of earnings for ordinary capital from 25.3 to 29.8 per cent. No doubt the major part of last year's improvement in earnings was due to realisation on the part of the public that the last chance to buy for stock was rapidly passing. Shortage of supplies, the purchase tax and bomb damage to property must tend to restrict a further rise in this source of income in the current year. The demand for footwear for the fighting services will no doubt increase for some time to come, but it is unlikely to yield as high a profit margin as sales of civilian footwear have done in 1940. In general, while utility will doubtless be more important than in the past, it is likely to remain the case that, with competition increasing for the smaller market, ability to gauge customers' taste will remain a decisive factor in the results of individual companies. Of the six companies, Weber and Phillips and John White manufacture only, while the others are interested also in retail shops. The figures give no clear answer to the question whether the simple manufacturer has an advantage over the vertical group, such as Lotus.

* * *

Further Investment Trust Results

A second batch of investment trust results—a first group was discussed in *The Economist* of January 4, 1941—confirms the view that revenue has on the whole been satisfactorily maintained during the first full year of war. In any case, none of the trusts, whose results for 1939-40 are analysed in the following table, has lowered its payment on equity capital, and one of them, Second Scottish Eastern, has actually raised its dividend from $\frac{1}{2}$ to 5 per cent. There are fewer cases where a higher total income has been realised than in the earlier list, but Second Scottish Eastern and Third Scottish Northern have both earned satisfactory increases in total revenue and equity surpluses alike. In the first case, the rate of equity earnings has improved from 5.3 to 7.3 per cent. and, in the second, from 3.4 to 3.9 per cent. Total earnings of Debenture Corporation again showed a moderate decline, but the equity surplus of £71,496 against £79,304 actually represents a rise in the earned rate from 11.5 to 11.9 per cent. The decline in total income, suffered by Great Northern Investment and River Plate and General Investment to £166,060 and to £59,823 respectively, are in both cases less than £1,000. It is clear that last year income losses have been much less severe, as far as investment trusts are concerned, than capital losses. In the majority of cases, no indica-

tion of the extent of the depreciation of market value of investments against book value is provided. Whatever the loss, there is no reason to suppose that investors would succumb to panic if told the truth. Indeed, there is good reason to believe that publication of current depreciation would be less alarming than the present cult of obscurity. It is interesting that the two trusts, which have continued to publish an estimate of depreciation, show a divergence between market and book value of no more than 20.6 per cent. in the case of Great Northern

Trust (and Date of Accounts)	Total Rev.	Earned for Equity		Ord. Div.	Valn. of Invests.†	Present	
		Amt.	Rate			Price	Yield
Debenture Corporation (Dec. 31):							
1938	241,902	88,965	12.3	10	— 7.6	153	6.5
1939	234,750	70,304	11.5	10	— 8.6		
1940	239,055	71,196	11.9	10	— 20.6		
Gr. Northern Investment (Nov. 30):							
1938	178,007	42,674	9.7	61	+ 1.8	85½	7.0
1939	166,942	36,923	9.2	6	— 8.6		
1940	166,060	32,101	9.2	6	— 20.6		
Second Scottish Eastern (Nov. 30)†:							
1938	75,491**	13,002	5.8	43	— 17.4	52	10.1
1939	72,679**	10,697	5.3	43	— 17.3		
1940	78,323**	12,977	7.3	5	— 17.3		
Third Scot. Northern (Dec. 15):							
1938	48,469	796	4.48	NH	— 17.5	26½	5.7
1939	45,498	4,492	3.4	11	— 23.7		
1940	46,052	4,574	3.9	11	— 51.34		
River Plate & General (Dec. 31):							
1938	63,908	35,618	14.1	10	— 0.07	151½	6.6
1939	60,784	31,173	12.1	10	— 18.21		
1940	59,823	29,850	11.5	10	— 21.2		

* Not available. † With deduction of 1 year's preference dividend only: 0.5 per cent. after payment of preference arrears.
* Appreciation or depreciation compared with book cost.
† Excluding arrears of interest and dividends carried to Contingent Fund.
†† Investment depreciation shown after reserves.

Investment and of 31.34 per cent. in the case of Third Scottish Northern. At present prices, yields on investment trust stocks range between $5\frac{1}{2}$ and 7 per cent. and compare satisfactorily with general industrial yields. It is probable that dividends in the current year, influenced by lower net earnings for industry, may be moderately reduced, but the considerable resources of a large number of trusts will tend to promote stable dividend policy.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

WITH sentiment hopeful but cautious during the past week, and business before the week-end severely curtailed by the number of daylight alerts, price movements have generally been irregular and trendless. After some selling of gilt-edged at the beginning of the week, a moderate rally took place and prices in this market subsequently remained firm. Before the week-end, interest in home rail junior stocks revived and continued until mid-week. The market in industrial issues was weak on the whole, though at times the iron and steel section showed to advantage. In the mining and commodity markets, business was at a very low ebb.

* * *

After a day, in which business was restricted by constant alerts, at the close of last week, the gilt-edged market opened on Monday with prices rather easy and a long list of issues, including 2½ and 4 per cent. Consols, 2½, 3 and 4 per cent. Funding and Victory Bonds, all lost ½. On the following day these losses were mainly recovered, and 3½ per cent. War Loan, which was strongly in demand, put on ½ point to close at 103½. Subsequently, the demand for the funds was well maintained. In the foreign bond

market, Japanese issues returned to favour and most stocks improved, although on Tuesday the 4 per cent. bonds of 1899 eased ½ point. The market was characterised by a strong and persistent demand for French railways, and there was support for such miscellaneous issues as Czech, Austrian and Mexican bonds and for the City of Danzig 5 per cent. loan of 1925.

* * *

Renewed optimism regarding dividend prospects was responsible for further buying of junior home rail issues, marginal stocks were also in favour, and L.M.S. 5 per cent., redeemable 1955, improved 2 points on Tuesday. Before the week-end, Southern preferred gained ½ point and the deferred stock ½, and most of the other ordinary issues also improved, although L.N.E.R. preferred and deferred remained relatively neglected. Outside the home rail market, a sudden improvement in demand gave rise to a gain of 12 points in the price of Bengal and North Western on Tuesday, when Canadian Pacific ordinary eased ½, following a similar decline before the week-end.

* * *

In the industrial market most sections were weak. A number of aircraft issues, including Bristol, De Havilland, Fairey and Hawker, all lost ground early in the week. Among breweries,

Courage, Distillers and Bass were offered, and the tobacco leaders were also easy. The only section which showed general resistance to the downward trend was the iron and steel group, where small gains extended to Vickers, B.S.A., Guest Keen, Baldwins and Staveley. At no time was selling on a large scale, and price movements remained very narrow. Among general industrials, there was some reaction in the price of Associated Portland Cement, and both I.C.I. and Lever and Unilever were quoted lower. Brazilian Traction and International Nickel continued the downward course of recent weeks.

* * *

The kaffir market showed no tendency to give way on news of the Johannesburg riots, but dealing became subdued and turnover low. On later advices, prices were on the whole well maintained, Sub Nigel correcting a loss of ½ on Monday on the following day and E. Geduld, Rose Deep and Johnnies all improving. Although the market was sufficiently satisfied with the dividends declared before Tuesday's close by Ashanti and Bibiani, the reduction in the dividend of the former was responsible for the loss of a few pence in its price. Very little business took place in the rubber market, although Allied Sumatra was sold in a small way. In the oil market, sentiment revived on Tuesday under the

influence of renewed successes in Africa, and Anglo-Iranian, Shell and Trinidad Leaseholds were all supported. Throughout the week, Mexican Eagles enjoyed small but persistent buying.

"FINANCIAL NEWS" INDICES

1941	Approx. Total Bargains in S.E. List	Corres. Jan. 1940	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Jan. 30	1,616	4,080	71.9	127.0
Feb. 31	1,267	4,265	71.9	126.9
Feb. 3	2,821	6,167	71.8	126.8
" 4	2,131	4,405	71.5	126.9
" 5	2,183	4,655	71.2	126.8

* July 1, 1935=100. † 1925=100. 30 Ordinary shares, 1941: highest, 73.7 (Jan. 17); lowest, 70.3 (Jan. 2). 20 Fixed Int., 1941: highest, 127.1 (Jan. 20); lowest, 126.1 (Jan. 2).

New York

PREVAILING uncertainty as to the future of the international situation survived the week-end and continued to restrain improvements in prices. Before the week-end, newspaper publicity for the view that invasion of Britain was imminent served to depress prices, which generally recovered during the present week on the assumption that a technical rally is overdue. Both these movements, however, showed themselves only in fractional gains and losses, and price changes continued to be narrow, with business at a low ebb. Rail securities were a firm spot, but motor issues eased under market disappointment with the General Motors dividend, and steel and aircraft securities moved uncertainly. Among domestic influences, the Tax Bill is proving a sobering factor. In mid-week, markets became firmer under the leadership of steel issues. The Iron Age estimates steel mill activity at 96 per cent. of capacity, against 97 per cent. in the previous week, to which it had declined from 99 per cent.

New York Prices

Total share dealings:—Jan. 29, 600,000; Jan. 30, 780,000; Jan. 31, 470,000; Feb. 1, 310,000; Feb. 3, 490,000; Feb. 4, 350,000.

	Close	Close	Close	Close
	Jan. 28,	Jan. 29,	Jan. 30,	Jan. 31,
	1941	1941	1941	1941
1. Railroads				
Balt. & Ohio	37	38	38	38
Ill. N. Cent.	74	74	74	74
N.Y. Cent.	14	12	12	12
Northern Pac.	68	68	68	68
Pennsylvania	23	23	23	23
Southern	13	12	12	12
2. Utilities, etc.				
Amer. Tel.	165	165	165	165
Amer. W. Wks.	61	61	61	61
Pac. Light	37	37	37	37
Pub. Sv. N.Y.	28	28	28	28
Sth. Cal. Ed.	26	26	26	26
United Gas	94	94	94	94
3. Commercial and Industrial				
Amer. Metal	18	17	17	17
Am. Roll. M.	14	13	13	13
Am. Smelting	42	39	39	39
Anaconda	25	23	23	23
Briggs	23	21	21	21
Celanese of A.	28	28	28	28
Chrysler	68	68	68	68
Curt. W.	28	28	28	28
Eastman Kd.	137	128	128	128
Gen. Elec.	34	32	32	32
Gen. Motors	44	42	42	42
Inland Steel	86	84	84	84
Int. Harvester	50	48	48	48
Int. Nickel	26	24	24	24
Liggett Myers	94	92	92	92
Nat. Dairy	13	13	13	13
Nat. Distillers	22	21	21	21
Nat. Steel	62	60	60	60
Proct. Gamble	56	54	54	54
Sears Roebuck	75	71	71	71
Shell Union	9	8	8	8
Socoon Vac.	34	34	34	34
Stan. Oil N.J.	6	6	6	6
20th Cen. Fox	67	67	67	67
U.S. Steel	98	92	92	92
West. Ind. EL	32	31	31	31
Woolworth	32	31	31	31
Yngstn. Sheet	39	35	35	35

STANDARD STATISTICS INDICES (1926 = 100)

	1941		Jan. 15, 1941	Jan. 22, 1941	Jan. 29, 1941
	Low	High			
	Jan. 29	Jan. 15			
347 Industrials	91.1	89.0	95.0	92.8	91.1
32 Railroads	27.3	28.0	27.9	28.0	27.3
40 Utilities	77.0	78.7	78.7	77.8	77.0
419 Stocks	78.5	82.1	81.5	79.9	78.5
Av. yield*	6.48%	6.13%	6.22%	6.37%	6.46%
	High	Low			

* 50 Common Stocks. (a) Jan. 22.

DAILY AVERAGE 50 COMMON STOCKS

Jan. 23	Jan. 24	Jan. 25	Jan. 27	Jan. 28	Jan. 29
100.90	101.30	101.70	101.70	101.10	99.40

1941 High: 105.80, January 10th. Low: 99.40, January 29th.

Capital Issues

Week ending February 8, 1941	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	6,033	4,524	4,524
Nat. Savings Certs.†	2,929,097	2,929,097	2,929,097
3% Defence Bonds(a)	2,872,005	2,872,005	2,872,005
2½% Nat. War Bonds†	48,343	48,343	48,343
Ditto, 2nd issue(w)	6,629,387	6,629,387	6,629,387
3% Savings Bonds†(v)	4,676,806	4,676,806	4,676,806

† Week to January 28th, 1941. † Week to January 28th, 1941, making total since June 25th, £44,161,825. (a) Total sales to January 28th, 1941, £215,132,400. (v) Total sales to January 28th, 1941, £28,329,283. (w) Total sales January 2nd, 1941, to January 28th, 1941, £36,876,659.

Year	Including Conversions	Excluding Conversions
1941 (New Basis)	(a) 106,684,253	(a) 106,684,253
1940 (New Basis)	333,806,364	31,057,231
1941 (Old Basis)	(a) 106,624,943	(a) 106,624,943
1940 (Old Basis)	380,887,933	27,932,800

Year	U.K.	Brit. Emp. ex U.K.	Foreign Countries
41 (New Basis)	106,684,253	23,528	Nil
40 (New Basis)	30,996,729	54,592	Nil
41 (Old Basis)	106,624,943	Nil	Nil
40 (Old Basis)	27,932,800	Nil	Nil

Year	Deb.	Prof.	Ord.
41 (New Basis)	106,684,253	8,541	14,987
40 (New Basis)	22,895,650	19,238	2,591,343
41 (Old Basis)	106,624,943	Nil	Nil
40 (Old Basis)	27,932,800	Nil	107,800

"Old Basis" includes public issues and issues to shareholders. "New Basis" is all new capital in which permission to deal has been granted. (a) Repayments 4 weeks to January 25th, 1941, £165,000. National Savings Certificates, £218,560. Defence Bonds, £29,728. Savings Bonds have been deducted.

ISSUES TO SHAREHOLDERS ONLY

Broken Hill Proprietary Co., Ltd.—Issue of 2,500,000 shares £A1 at par in proportion of 22 to every 100 shares of their holding as on February 14th, 1941. Australian Government has consented to the issue. Permission of the British Treasury has been granted for issue to shareholders on the London register. The new money is required for "Shipbuilding, munitions, and other war work."

Shorter Comments

This Week's Company Results.—A welcome revival in the earnings of ENGLISH VELVET AND CORD DYERS has permitted the company to declare an ordinary dividend of 2½ per cent. against nil. Gross profits rose from £40,014 to £57,399, and net earnings even more strikingly from £13,952 to £36,550. OMNIUM INVESTMENT TRUST is maintaining the 3½ per cent. ordinary payment with earnings which show a slight increase in both gross and net totals from £114,076 to £115,134 and from £52,350 to £53,598 respectively. GENERAL CONSOLIDATED INVESTMENT has suffered a moderate decline in total revenue from £94,971 to £88,392 and in the net figure from £39,686 to £31,854, but is repeating the 7 per cent. dividend. Total income of the YORKSHIRE WATERWORKS improved from £68,607 to £79,557, but increased allocations to depreciation caused a small decline in net profits from £11,784 to £11,608. This company is also repeating the previous year's 7 per cent. dividend. The reduction in net earnings of THOMAS MARSHALL, MARLBECK, clothing manufacturers, from £31,417 to £18,849, despite a rise in gross profits from £64,931 to £72,179, is due to the company's sharply increased tax liability. The 25 per cent. ordinary dividend is maintained.

Continued on page 202

LLOYDS BANK

LIMITED
Head Office: 71 Lombard Street, London, E.C.3



Chairman
THE RT. HON. LORD WARDINGTON
Deputy Chairman
SIR AUSTIN E. HARRIS, K.B.E.
Vice-Chairman
SIR FRANCIS A. BEANE
Chief General Managers
R. A. WILSON, SYDNEY PARKES
Joint General Managers
W. G. JOHNS, D.S.O., S. P. CHERRINGTON, L. A. STANLEY, G. D. GOLD

Statement of Accounts

31st December, 1940

LIABILITIES		£
Paid-up Capital	...	15,810,252
Reserve Fund	...	10,000,000
Current, Deposit, and other Accounts	...	491,872,992
Acceptances	...	680,057
Endorsements, Guarantees, and other Obligations	...	19,587,423
ASSETS		
Cash in hand, and with the Bank of England	...	57,633,935
Balances with and Cheques on other Banks in the British Isles	...	21,856,582
Money at Call and Short Notice	...	22,288,549
Balances with Banks abroad	...	4,989,574
Bills Discounted	...	41,000,691
Treasury Deposit Receipts	...	65,500,000
Investments at or under Market Value	...	135,031,133
Investments in Subsidiary and Auxiliary Companies:—		
The National Bank of Scotland Ltd.	...	3,120,924
Lloyds & National Provincial Foreign Bank Ltd.	...	600,000
Indian Premises Company Ltd.	...	54,502
Loans and Advances	...	140,532,817
Other Assets and Accounts	...	17,897,681
Bank Premises	...	7,176,856
Liabilities of Customers for Acceptances, &c.	...	20,267,480

Industry and Trade

Unemployment in January

The reduction in unemployment between December 9th and January 13th was small; the number of persons on the registers of employment exchanges in Great Britain fell by only 9,673, from 705,279 to 695,606. It should be remembered, however, that normally unemployment shows a sharp seasonal increase between December and January; a year ago, for example, the number registered as unemployed rose from 1,362,000 to 1,519,000. Further analysis of the returns shows that the number of wholly unemployed fell by 20,512 to 521,388 on January 13th, and that the number temporarily stopped and normally in casual employment rose by 10,839 to 174,218. Changes in the number of registered unemployed, however, are no longer an indication of the increase in the intensity of the war effort on the economic front. It may be difficult to reduce the unemployment register below the half-million mark, for some persons will always be between two jobs, while others will be temporarily unemployed through adverse weather conditions, for example. But there is considerable scope for speeding-up the transfer of labour from unessential to essential occupations.

* * *

Improvement in Overseas Trade

The trade returns for December reflect the reduction in the intensity of the battle on the Atlantic front and the decrease in the number of air raids upon this country. The improvement in trade has been small, but is nevertheless welcome. Imports rose in value from £72.9 millions in November to £73.6 millions in December, while domestic exports increased from £21.7 millions to £24.4 millions. Compared with the corresponding month in 1939, however, the value of imports last December showed a decline of 15 per cent. and that of domestic exports one of 40 per cent. Moreover, in view

U.K. IMPORTS AND EXPORTS

	1938	1939	1940	Change between 1939 and 1940
<i>December</i>	£'000	£'000	£'000	£'000
Total imports	74,132	86,585	73,575	- 13,010
British exports	39,098	40,169	24,397	- 15,772
Re-exports	4,770	2,500	653	- 1,848
Total exports	43,877	42,670	25,050	- 17,620
Excess imports over exp'ts	30,255	43,915	48,525	+ 4,610
Transshipments under bond	2,852	2,270	376	- 1,894
<i>Twelve Months ending December</i>				
Total imports	619,509	885,513	1,099,869	+ 214,356
British exports	470,755	439,536	413,084	- 26,452
Re-exports	61,525	46,033	26,189	- 19,844
Total exports	532,280	485,569	439,278	- 46,296
Excess imports over exp'ts	387,229	399,944	660,596	+ 260,652
Transshipments under bond	32,530	29,551	3,104	- 26,447

of the rise in prices during the past year, the decrease in the volume of trade must have been appreciably greater than the fall in its value. There was a decrease between November and December in the value of the intake of food and drink and of raw materials, but an increase in that of manufactures—chiefly in the non-ferrous metals, oils, fats and resins, and vehicles categories. The improvement in exports was fairly general; it included vehicles, textiles, iron and steel, pottery and glass and chemicals. Shipments of machinery and of coal showed a further decline; those of coal were only £679,000 last December, against £3,508,000 a year earlier. A survey of the course of the trade in the past year shows that imports and exports rose steadily during the first four months, but fell abruptly from May onwards with the extension of the Nazi hegemony on the Continent. Recovery later in the year was prevented by the intensification of Germany's submarine-air attacks upon merchant ships and ports. The value of domestic exports last year was 6.1 per cent. smaller than in 1939, but that of imports still showed an increase of 24 per cent. As a result the excess of imports over exports showed a further increase of £261 millions to £661 millions in 1940.

Plan for Cotton

On Saturday of last week Mr Raymond Streat, chairman of the Cotton Board, gave an account of the Board's work and of the kind of policy that would ensure the cotton trade's future after the war. He pointed out that, in his view, international trade and foreign exchange dealings will continue to be subject to a measure of control after the war and that other countries will agree to take cotton goods from the United Kingdom only if prices and quality were attractive. The cotton industry must forget its squabbles and present a united front if it is to achieve prosperity after the war. Mr. Streat outlined a six-point plan of campaign: Cotton goods must be given "a front seat" by the Government in international trade agreements; their prices must be controlled to prevent both flagrant profit-making when demand is great and selling at a loss when the market is weak; mercantile practice must be adjusted to a system of managed prices; technical progress must be encouraged and applied to the full; the basis on which wages are regulated must be brought up to date so as not to hinder technical progress; lastly, the best use must be made of modern methods of propaganda, sales promotion and market research. There is much to be said for thinking ahead in order to prevent a repetition of the mistakes made by the cotton trade after the last war. If it faced post-war conditions without a plan the industry might well drift into disaster. But on the question of price control, in particular, much hard thinking still remains to be done in the light of the results shown by the experiments made during the war.

* * *

Retail Trade in December

While the average daily value of retail sales of food and perishable articles in December, as given in this week's *Board of Trade Journal*, was 0.8 per cent. higher than in the corresponding month of 1939, the turnover of other merchandise showed a decline of 6.7 per cent. The percentage changes, from the corresponding months in 1939, in the average daily value of sales from August to December last year are as follows:—

	Percentage Change from 1939.
<i>1940</i>	
August	+5.4
September	+21.0
October	+6.7
November	+20.9
December	+1.3
	-6.7

In view of the heavy purchases made before the purchase tax became fully operative, a decline in sales of non-food goods in December was not unexpected. But as the purchase tax had been in operation long enough by December to raise the prices of an appreciable proportion of the goods sold in that month, the fall in the volume of sales must have been considerably greater than the decline in their value. Another factor contributing to the fall in non-food sales was the more drastic limitation, from December 1st, of the supplies of goods covered by the Limitation of Supplies (Miscellaneous) Order.

* * *

Purchases of Surplus Commodities

In order to provide Continental countries with ample food and raw materials after the war and to relieve the distress of primary producing countries during the conflict, steps are being taken to accumulate substantial reserve stocks of such products. The latest development has been the appointment, by the Free Dutch Government, of a special commissioner to acquire a four to six months' supply of food and raw materials to be shipped to Holland after its liberation from the Nazi yoke. Moreover, in order to assist the Belgian Congo and the Free French colonies, now cut off from their principal markets, the British Government has

decided to purchase large quantities of their exportable surplus of primary products. By an agreement with the Belgian Congo, the British Government undertook to buy 126,000 tons of copper a year, as well as large quantities of the colony's output of palm kernels and palm oil and the whole of its gold production amounting to nearly 500,000 ounces per annum. A similar agreement with the Cameroons provides for the purchase of that colony's cocoa crop, of its output of palm kernels, palm oil, groundnuts and certain other oilseeds, of part of its coffee and banana crops, and of timber. Britain's purchase of copper from the Congo—whose potential output is 200,000 tons per annum—and America's purchase of Chilean copper should go a long way towards alleviating the difficulties on the world's copper market. So far as palm kernels are concerned, the Congo exported almost

100,000 tons of these each year before the war and was thus the largest non-British exporting country. Another 40,000 to 50,000 tons per annum were normally exported by the Cameroons. The combined total of nearly 150,000 tons represents about one-fifth of pre-war world exports. The Congo also exported nearly 70,000 tons, and the Cameroons about 10,000 tons, of palm oil per annum before the war, out of total world exports of slightly less than 500,000 tons. The surplus of vegetable oils and oilseeds is at present particularly large. In cocoa, the markets for which have also dwindled, the Cameroons used to export about 30,000 tons and the Congo about 10,000 tons per annum. Altogether the agreements with the Belgian Congo and the French Cameroons should materially assist these colonies in marketing their surplus of primary products.

COMMODITY AND INDUSTRY NEWS

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Jan. 18, 1941	Jan. 25, 1941	Jan. 27, 1940	Jan. 25, 1941
N. America	416	386	11,733	9,553
Argentina, Uruguay	33	166	11,333	4,829
Australia	...	...	612†	...
Russia	...	...	114	429
Danube district	...	...	3,914	182
Other countries	...	...	345	...
Total	449	552	28,051	14,993

* Unobtainable. † Incomplete.
Source: *The Corn Trade News*.

Metals.—It is reported that allocations of steel for tinplate manufacture are to be reduced. Stocks of tin in the United Kingdom were 4,187 tons at the end of January, compared with 5,209 tons in December; United States stocks were 32,484 tons, including stocks afloat, against 31,646 tons.

*

Oils and Oilseeds.—The supply position of vegetable oils is satisfactory. The official maximum prices of controlled oils and fats operating in January are to continue throughout February. The United Kingdom extraction mills and oil refineries are well employed, in many cases to the limit of capacity, and generous allocations of edible oils are made to margarine and cooking compound manufacturers; and also to meet the current requirements of the soap and paint trades and other technical users.

"THE ECONOMIST" SENSITIVE

PRICE INDEX

(1935=100)

	Jan. 27, 1941	Jan. 28, 1941	Jan. 30, 1941	Jan. 31, 1941	Jan. 1941
Crops	105.6	105.7	105.7	105.6	105.6
Raw Materials	166.8	166.8	167.0	167.2	167.0
Complete Index	132.7	132.8	132.8	132.9	132.8
	Mar. 31, 1937	Aug. 31, 1937	Jan. 31, 1940	Dec. 31, 1940	Jan. 1941
Crops	147.9	92.2	111.7	105.6	105.6
Raw Materials	207.3	122.9	163.2	166.5	167.2
Complete Index	175.1	108.4	135.0	132.6	132.8

* Not received. † Incomplete since December 14, 1940. Source: *The Corn Trade News*.

* Highest level reached during the 1932-37 recovery.

AMERICAN WHOLESALE PRICES

	Jan. 28, 1941	Feb. 4, 1941	Jan. 28, 1941	Feb. 4, 1941
GRAINS (per bushel)—	Cents	Cents	Cents	Cents
Wheat, Chicago, May	84	77	72	72
Winnipeg, May	77	61	62	61
Maize, Chicago, May	36	35	36	35
Oats, Chicago, May	44	44	44	44
Rye, Chicago, May	44	44	44	44
Barley, Winnipeg, Dec.	45	45	45	45
METALS (per lb.)—				
Copper, Connecticut	12.00	12.00	12.00	12.00
Tin, N.Y., Straits, spot	50.20	50.35	50.20	50.35
Lead, N.Y., spot	5.50	5.50	5.50	5.50
METALS (per lb.)—cont.				
Spelter, East St. Louis, spot	7.25	7.25	7.25	7.25
MISCELLANEOUS (per lb.)—				
Cocoa, N.Y., Acera, Mar.	5.00	5.00	5.00	5.00
Coffee, N.Y., cash—				
Rio, No. 7	5	5	5	5
Santos, No. 4	8.00	8.00	8.00	8.00
Cotton, N.Y., Am. mid., spot	10.88	10.87	10.88	10.87
Cotton, Am. mid., Feb.	10.34	10.27	10.34	10.27
Cotton Oil, N.Y., Mar.	6.50	6.38	6.50	6.38
Lard, Chicago, Mar.	6.45	6.37	6.45	6.37
MISCELLANEOUS (per lb.)—cont.				
Petroleum, Mid-cont. crude, per barrel	102	102	102	102
Rubber, N.Y., smkd. sheet spot	19	19	19	19
Sugar, N.Y., Cuban Cent., 96 deg. spot	2.97	2.95	2.97	2.95
Sugar, N.Y., 96 deg. No. 4, f.o.b., Cuba, Mar.	0.74	0.69	0.74	0.69
Moody's Index of staple commodities, Dec. 31, 1931=100	173.5	172.5	173.5	172.5

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

	Average Daily Sales			Stocks (at cost) end Dec.
	Oct.	Nov.	Dec.	
<i>(a) By Commodities.</i>				
Non-Food Merchandise	+36.3	+9.4	-2.8	+14.4
Piece-goods	+26.6	+7.1	-3.1	-0.8
Women's wear	+27.1	-10.9	-14.4	+5.7
Men's and boys' wear	+40.0	+20.8	+11.8	+9.6
Boots and shoes	+15.1	-10.9	-20.6	+14.5
Furnishing departments	+1.3	-13.1	-28.9	+5.6
Hardware	+17.2	+4.6	-15.2	-8.8
Fancy departments	+52.9	+17.3	-19.7	-9.1
Sports and travel	-4.1	Nil	+2.3	+24.7
Miscellaneous				
Total — Non-Food Merchandise	-20.9	+1.3	-6.7	+5.8
Food & Perishables	-5.2	-0.3	-0.8	-25.3
Total — All Departments	+6.8	+0.3	-2.7	+8.1
<i>(b) By Districts.</i>				
Scotland	+23.9	+10.7	+10.1	+5.6
North-East	+15.7	+9.6	+4.8	+20.1
North-West	+17.2	+13.8	+5.2	+17.2
Midland & S. Wales	+15.4	+7.3	+2.8	+12.5
South England	+4.9	+4.5	-2.1	+17.1
Central & West End London	-8.6	-16.4	-23.5	-5.6
Suburban London	-7.7	-17.0	-17.1	+23.9

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	Of whom wholly unemployed		
	Number	Index, adjusted for seasonal variations		
<i>1939</i>	'000	1935=100	'000	%
Dec. 11 1939	1,362	68.4	1,171	8.7
Jan. 15 1940	1,519	68.8	1,220	9.9
Feb. 12 1940	1,504	69.4	1,141	10.0
Mar. 11 1940	1,121	54.7	966	7.4
Apr. 15 1940	973	48.1	840	6.3
May 20 1940	881	44.3	731	5.8
June 17 1940	767	39.4	648	4.8
July 15 1940	827*	41.0	637	5.2
Aug. 12 1940	799	39.7	613	5.0
Sept. 16 1940	830	41.2	614	...
Oct. 14 1940	835	41.4	635	...
Nov. 11 1940	791	38.8	603	...
Dec. 9 1940	705	35.3	542	...
Jan. 13 1941	696	31.5	521	...

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

* From July, 1940, excludes unemployed persons attending training centres; their inclusion raises the total in July to 835,000.

Source: *Ministry of Labour*.

COMPANY MEETINGS

DISTRICT BANK LIMITED

LARGE INCREASE IN DEPOSITS
EFFECTS OF GOVERNMENT'S WARTIME POLICY
THE EXPORT TRADE DRIVE
IMPORTANCE OF COMPETITIVE PRICES
SIR R. NOTON BARCLAY'S SURVEY

The one hundred and eleventh annual meeting of shareholders of District Bank, Ltd., was held, on the 31st ultimo, at the Head Office, Spring Gardens, Manchester.

Mr R. Noton Barclay, the chairman, presided. His speech was as follows:—

As war-time conditions make it difficult for many shareholders to attend our annual meeting, and since the Government discourages large gatherings, I have thought it advisable to circulate advance copies of this year's address.

Before I discuss the accounts and trading results for the past twelve months I have, with deep regret, to announce the recent death of our esteemed colleague Mr George Lockhart McKelvie. Our associations with him extend over many years, since he was the survivor of the three Bank of Whitehaven directors who joined our board when, in 1916, we took over that bank.

Then I should like to refer to the honour which has this year been conferred upon our director Sir Kenneth Lee. I know that you will join me in expressing pleasure at this further recognition of his valuable public services, in which, of course, he is still actively engaged as a member of the British Mission recently sent by the Government to South America. In his absence on this important work we wish him every success.

You will be sorry to learn that Mr Leslie Shaw, one of the bank's auditors, has suffered bereavement and also physical injuries by enemy action. Under the circumstances he has not been able to co-operate with Messrs Halliday, Pearson and Company in auditing the accounts, and, therefore, the auditors' certificate is not signed by him. I am sure you will desire me to express our sympathy with him and also to wish him a speedy recovery.

DEPOSITS EXCEED £100,000,000

The effects of Government war-time policy are reflected in our balance-sheet, and the most noticeable feature is the sharp increase this year in deposits of over £14 millions, which for the first time in the bank's history exceed £100 millions. While part of the present year's increase is, to a certain extent, fortuitous, I may point out that, prior to the war, the deposits of the bank were showing considerable annual increases. The present figures may be compared with the deposits of £73 millions following the amalgamation with the County Bank in 1935.

In the expansion of our resources this year our experience has been similar to that of the other clearing banks. Part of the increased deposits has resulted from delays in the postal services, which increase the average time taken in the clearing of cheques. This augments deposits, since larger balances result from the fact that cheques issued to distant payees are not debited within the normal period.

Other reasons for increased deposits are abnormal ready balances which business concerns keep as reserves available for payment of heavier taxation, including Excess Profits Tax, National Defence Contribution and Purchase Tax. Government restrictions of supplies orders also mean large idle resources being turned over to the banks by merchants and manufacturers. For most of the remainder of the increase in deposits we must look to the Government's war expenditure, which increasingly finds its way into the banking system.

ASSISTANCE TO THE GOVERNMENT

Our assets reflect the employment of the additional deposits to which I have referred. Our large cash holdings, together with

other short assets, represent a ratio of 42 per cent. of our deposit liabilities. The comparable figure for last year was 35 per cent., and such a notable increase in these first lines of defence is to be explained by Treasury deposit receipts, which at £12 millions make their first appearance and represent six monthly loans to the Government maturing at successive dates.

These loans, together with Treasury Bills, constitute the short-term assistance which we provide for the Government towards financing the war. To this must be added longer-term advances in the form of British Government securities, to our holdings of which we added over three millions during the period under review. Our investments are mainly repayable at fixed dates and appear in the balance-sheet at much less than their market value.

FACTORS CONTRIBUTING TO THE DECLINE IN LENDINGS

Our lendings have declined from the figure of a year ago. It should be observed that the Ministry of Supply, through the allocation of raw materials, is able to regulate production. The effect is that a big expansion of business has been brought to certain industries engaged on war contracts, and finance has been readily provided by us to expedite such important work. On the other hand, non-essential industries have been unable to obtain supplies; consequently their trade has been seriously curtailed, with the result that they require less banking accommodation. The completion of long-term constructional war contracts has accounted for some repayment of advances, whilst the speeding up of Government payments has also liquidated many outstanding bank loans.

Furthermore, the Government itself now finances many bulk purchases and stocks of raw materials which previously were handled by merchants and traders with the backing of their bankers. The activity of the building trade has diminished and the accommodation granted in the past is being repaid. Such factors have all contributed to the decline in our lendings, and to these must be added repayments of private advances and of normal borrowings which have no place in our war effort.

BANK PROPERTY

Bank property now stands at £1,532,704 a decline of £60,500 as compared with last year. Our expenditure on opening new branches has, of course, ceased for the time being, and, while certain additions and alterations to existing branches have been necessary, the account reflects the appropriation made to write down the value of this item. I may mention here that a certain amount of damage by enemy action has occurred at some of our branches, and where it has been necessary temporarily to vacate the premises we have been housed by other banks, to whom I would take this opportunity of expressing our appreciation and thanks for their assistance. We have in some cases been able to reciprocate this kindness.

PROFIT AND LOSS ACCOUNT

To those who may think that an expansion of resources necessarily means proportionately increased prosperity for the banks, it is as well to point out that we have to pay interest on these additional deposits. Over 10 per cent. of this new money is held in cash which earns nothing, and between 20 and 30 per cent. in short assets, earning only 1 per cent. per annum, or, in the case of Treasury deposits, 1½ per cent. per annum. Then the war has in many ways heavily increased our expenses,

amongst other items of which I may mention increased emoluments to the staff, the allowances paid to those members of the staff serving with H.M. Forces to which I referred last year, the heavy demands upon us in relation to air-raid precautions, and enhanced costs of stationery and mechanical equipment, transmission of cash, etc.

Taking these items in conjunction with the considerable increase in taxation, we must expect some reduction in net profits. As usual, our profit is arrived at after full provision has been made for bad and doubtful debts, including provision for possible loss on amounts owing by debtors in enemy-occupied countries. Notwithstanding the large foreign business conducted by the bank and the rapidity with which such countries were overrun by the enemy, I am pleased that the management have been able to confine these latter risks to a figure which will probably entail little or no ultimate loss. We have, however, considered it prudent to make provision against them.

At £446,018 the net profit is £44,072 less than the previous year.

TRADE CONDITIONS

It is difficult nowadays to give a survey of trade as a whole as so many industries are engaged primarily on war work. Owing to the exigencies of the present situation many businesses regarded as being of a non-essential character are having their activities very substantially curtailed, and we can only sympathise with them in the position in which they find themselves.

The effects of the last war on the Lancashire cotton industry are well known. Prior to 1914 this country was the largest world exporter of cotton goods and exports far exceeded home consumption. Subsequent to that war our exports seriously declined and we had to rely to a very large extent on our home trade. It is, of course, impossible to forecast the effects of the present war. There is a large demand for a variety of types of cotton goods for the Services, but that demand is not sufficient to keep the whole of the industry in anything approaching full employment.

ORGANISATIONS TO FOSTER EXPORT TRADE

The Government is anxious that exports should be increased to provide the necessary exchange to assist in paying for essential imports. With this in view, organisations have been set up to develop the export trade by regulating both the manufacture and the sale of cotton goods, with the dual object of freeing mills for export business and reducing expenditure by people in this country on such goods.

In order to achieve this the production of goods for home consumption has been restricted, and it will be appreciated that this raises many problems.

If exports are to be increased it can only be on a competitive basis, that is, by selling the manufactured articles at a price equal to or lower than that of competitors, but unless the demand for these goods is such that it will replace the forcibly reduced demand from the home consumer, the cost of production is raised.

Moreover, with further wage increases (now approximating 30 per cent. more than pre-war rates in the spinning and weaving sections of the industry) production costs again will be advanced. Some of these higher costs may be offset by the organisation of the Cotton Board, whose primary function is to direct exports through syndicates or through the recently formed subsidiary to the Board, British Overseas Cottons, Ltd.

CENTRAL RAYON OFFICE LIMITED

In endeavouring to organise the cotton trade to meet war conditions, we must not lose sight of the post-war prospects of the industry. Our future problems are going to be difficult, more difficult than they were after the last war.

What applies to the cotton trade is also applicable to certain other of our export industries, and in this connection I might mention rayon, which is used either in place of or along with cotton to a considerable extent. I am pleased to say that this industry also is taking steps which it is hoped will result in

holding and capturing markets. The Rayon Export Group has formed a company, Central Rayon Office, Ltd., whose objects are the organising and arranging for the production of rayon goods suitable for the export trade, with provision for financial assistance from the industry as a whole. We wish them every success in their efforts.

LOYAL SERVICES OF THE STAFF

During the past year war conditions have imposed increasingly heavy calls upon our staff. Our grateful thanks are due to those members of the staff in our principal offices who have acted as voluntary fire-watchers and have been, in turn, on duty every night since the outbreak of war. They do not take shelter, but patrol the different floors of their respective buildings during an alarm. Incendiary bombs have fallen on several of our offices, and it is due to the energetic and unceasing vigilance of our watchers that in such premises we have escaped an outbreak of fire. Also, as more and more of our younger men have been called to the Colours, many of those who remain have had to undertake more work and greater responsibilities, owing not only to reduction of staff but also to the additional supervision needed with a less experienced staff.

Again, the temporary evacuation of some offices arising from enemy action has involved additional strain on many of our executive officers. Through it all be it remembered that the majority of the staff are, in common with others, giving their erstwhile leisure hours to Home Guard, A.R.P. and other activities in furtherance of the war effort.

It is, therefore, with more than usual earnestness that I avail myself of this opportunity to place on record our warm appreciation of the loyal and devoted services rendered to the bank in these exceptionally difficult times by our chief officials and by the whole of the staff.

The report and accounts were adopted and the retiring directors were re-elected.

Messrs Halliday, Pearson and Company and Mr Leslie Shaw, the retiring auditors, were reappointed.

After the usual vote of thanks the proceedings terminated.

THE NATIONAL BANK LIMITED

IMPORTANCE OF HOME PRODUCTION

The annual general meeting of the National Bank Limited was held, on the 30th ultimo, in London.

Sir George F. Murphy, Bart. (deputy chairman), who presided, said: On reference to the profit and loss account it will be seen that we propose to pay a dividend at the rate of 10 per cent per annum, less income tax, and that we transferred £10,000 to contingencies account, carrying forward £42,890.

In spite of the difficult and anxious times through which we are passing, the bank's position remains sound and liquid.

The continuance of armed conflict of the most destructive nature has, of course, severely restricted the field of profitable investment, and this, together with the importance of maintaining a high degree of liquidity, has caused a falling off in our gross income, while, on the other hand, heavy taxation and increased cost of all items essential to the conduct of our business have added considerably to our working expenses.

In the abnormal times through which we are living no one can expect to remain unaffected while the industries and resources of mankind are being diverted from their peace-time activities. The Government finds it necessary to impose restrictions and require sacrifices which would never be undertaken except in face of the gravest emergency. The growing tax burden can be lessened only by an increase in individual savings and the importance of restricting consumption cannot be too strongly emphasised. With the limitation of shipping space the home production of those imports no longer available becomes a matter of urgent necessity. Here the farming industry is of paramount importance, and it is to be hoped that when happier times return the efforts of this industry will be rewarded by a more general recognition of the fundamental position of agriculture in the economy of the nation. Each section of the community has its special task for the good of all, and the banking profession has willingly co-operated with the authorities in various measures essential to the maintenance of trade and industry.

The report and accounts were unanimously adopted.

HAWKER SIDDELEY AIRCRAFT
COMPANY LIMITED

STATEMENT BY THE CHAIRMAN

The following is the statement of Mr. Thomas O. M. Sopwith, C.B.E., F.R.Ae.S. (chairman of the company), to be presented at the annual general meeting of the company, to be held on February 12, 1941.

This, our fifth annual general meeting, takes place after a year which has been one of the most eventful in the history of the nation. That we are enabled to meet to-day is largely due to the heroic work of the fighter squadrons of the Royal Air Force during the period known as the "Battle of Britain," and you will, I am sure, share my pride in the fact that the Hawker "Hurricane" was not only the backbone, but formed the majority of the aircraft flown by that gallant band to whom the Prime Minister referred in the House of Commons when he informed members that "never before had so many owed so much to so few."

THE LOAN POSITION

The accounts show the comparative figures at the corresponding date last year. At that time we had a very substantial balance at the bank, represented by the unused proceeds of our debenture issue. This balance has now been fully absorbed by additional loans to our operating companies to enable them partially to finance work in progress for the Government. The loans now amount to £3,386,250 (as against £2,186,250 last year). In view of the fact that at the termination of the present abnormal conditions the operating companies will be in a position to repay the loans they have received, no further provision for the redemption of the debenture stock is necessary.

We have again provided for the redemption of the necessary number of 5 per cent. redeemable cumulative preference shares in accordance with the terms of their issue.

The profit and loss account shows receipts from dividends and interest at £817,717 after providing for taxation.

Provision has been made by all the operating companies for reserves and contingencies on such a scale as their directors consider advisable.

Your board recommend approval of a final dividend of 17½ per cent., less tax, which, with the 15 per cent., less tax, interim dividend already paid, brings the year's total up to 32½ per cent., less tax, and allows a carry-forward of £320,447, an increase of £99,435 over the previous year. This dividend is the same as that distributed last year.

Taxation makes a very heavy call upon profits, and while I do not dispute either the need for, or the equity of, the burden, I hope the Chancellor of the Exchequer in his wisdom will not lightly disregard the need to permit industry to make adequate provision for resources to be applied to meeting post-war conditions.

WORK OF OPERATING COMPANIES

You will understand that I can only refer in broad and general terms to a subject which is of vital importance to us all individually and nationally—the work of the operating companies. Their achievements are in advance of anything anticipated a few years ago, and in face of many difficulties they have succeeded in maintaining a very high standard of output.

You have read of the many stirring exploits of the "Hurricane" pilots—British and Allied—at home and abroad, and of the dashing work of the Australian pilots with the "Gladiator" in Northern Africa and Albania. You have heard of the many important long distance bombing raids carried out by the "Whitley"—of the less spectacular but no less effective job of the "Anson" on coastal reconnaissance work, and of the "Cheetah" engine—one of the most reliable power units in the world. All these are products of this organisation.

You have seen references to new types which indicate that design and research are showing results such as I am confident will bring even greater help to the nation. In other branches of supplies to the Forces I can report equally satisfactory progress.

I cannot say anything of the immediate future. I am confident that the interests of the shareholders are best served by the continuous and whole-hearted contribution to the national effort, and that outlook dictates our policy.

DALGETY AND COMPANY, LIMITED

RECORD WOOL PRODUCTION

THE HON. EDMUND PARKER'S ADDRESS

The adjourned fifty-sixth annual general meeting of Dalgety and Company, Ltd., was held, on the 30th ultimo, at 65 Leadenhall Street, London.

The Hon. Edmund W. Parker (the chairman of the company), who presided, in the course of his speech, said: Both the Commonwealth and the Dominion may be said to have enjoyed a period of prosperity during the year under review, which naturally has been reflected in the results of your company. This prosperity may be largely attributed to the purchase of the entire Australian and New Zealand wool clips by the British Government for the duration of the war and one year afterwards, at prices approximately 30 per cent. above those ruling in the previous season. Growers were thus assured of a market at a reasonable level of values at a time when the disposal of their wool might have proved difficult and, in certain events, impossible.

WOOL AND WHEAT

A record volume of wool was dealt with, due to greatly increased production in the Commonwealth and to the fact that wools normally shipped overseas for sale were in the main appraised in the countries of origin. It is not expected that last season's high level of production will be maintained in Australia, as seasonal conditions are less favourable, but the official estimate of the 1940-41 clip is 3,500,000 bales, including 153,000 bales of skin wool.

In New Zealand, owing to exceptionally favourable seasonal conditions, the clip is expected to show a substantial increase over 1939-40. I feel, however, that I should sound this note of warning. Owing to various reasons, including the temporary loss of the continental market, consumption probably lags behind production, and thus some piling up of stocks appears likely. This will accentuate marketing problems after the war.

As regards wheat, I fear once again it is not possible for me to give as comprehensive a survey as was my custom in more peaceful times. As you know, the entire buying programme for the United Kingdom is in the hands of the Government, and, if I may say so, has, in my opinion, been most competently handled.

MEAT, TALLOW AND BUTTER

Frozen meat, copra, tallow and butter are all now controlled by the Government; frozen meat and butter being sold direct by the Australian and New Zealand Governments. Your company, therefore, does not take any part in the importations to the United Kingdom, since these commodities are requisitioned by the authorities immediately on arrival.

Copra is a product which in times of peace is used to a very large extent on the Continent, but this trade has now ceased. A useful outlet has, however, been found in America, and this has in part compensated for the loss of the European trade, and further developments of it are hoped for. The Ministry of Food are purchasers of tallow, and I am glad to say that we continue to maintain our share of this trade.

In East Africa we continue to make satisfactory progress. The burden of taxation is extremely disconcerting, although inevitable in these times. It is not only in the Commonwealth that we have to bear this, but also in the Dominion and, as you know, very heavily in the Old Country.

THE DIVIDEND

I feel sure that you will all be satisfied with the further interim dividend of 4s. per share, making 7 per cent. for the year, which was paid on December 20th last. It is a good distribution in these times, and an improvement on recent years, but I cannot make any forecast as to the future. The season in Australia up till recently has been causing us great anxiety, but I am glad to say that we have news of a certain amount of relief which may put a different aspect on the situation.

The report and accounts were unanimously adopted.

CURRENT STATISTICS

Finance

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1940, to February 1, 1941, are:—

Ordinary Exp.		Ord. Revenue	
3,107,425	7,032	1,024,675	2,099,079
Misc. Iss. (net)	832	Less—	
Inc. in balances		Sinking fds.	8,465
		Net borrowing	2,000,614
	3,115,289		3,115,289

FLOATING DEBT

Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks		Total Floating Debt
Date	Tender	Tap	Public Depts.	Bank of England		
1940						
Feb. 3	811-0	642-4	48-2	7-7	1501-6	
Oct. 26	840-0	1145-9	69-0	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			
" 14	845-0		"	"		
" 21	845-0		"	"		
" 28	845-0		"	"		
Jan. 11	845-0	215-8	86-0	50-5	338-0	2626-3
" 18	845-0		Not available			
" 25	845-0	1340-7	96-1	366-0	2647-7	
Feb. 1	845-0		Not available			

TREASURY BILLS

Date of Tender		Amount		Average Rate		Per Cent. Allotted at Min. Rate
Offered for	Applied	Allotted				
1940						
Feb. 2	55-0	108-0	50-0	20	0-80	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
" 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
Dec. 6	65-0	140-7	65-0	20	1-99	54
" 13	65-0	144-0	65-0	20	1-25	33
" 20	65-0	130-8	65-0	20	2-15	38
" 27	65-0	143-8	65-0	20	1-52	31
1941						
Jan. 3	65-0	133-3	65-0	20	2-03	38
" 10	65-0	134-7	65-0	20	2-01	36
" 17	65-0	146-0	65-0	20	1-28	27
" 24	65-0	139-4	65-0	20	4-04	28
" 31	65-0	150-7	65-0	20	2-84	100

On January 31st applications at £99 15s. 1d. per cent. and above for bills to be paid for on any day of following week were accepted in full. £65-0 millions of Treasury bills are being offered on February 7th. For the week ending February 8th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS
CERTIFICATES AND 3% AND 2½%
BONDS SUBSCRIPTIONS

Week ended		N.S.C.		3% Def. Bonds		2½% Bonds		New 2½%		3% Sav. Bonds	
Dec. 31	1,966	3,119	11,894								
Jan. 7	3,322	3,909	2,909					8,940	6,854		
" 14	2,756	3,373	95					11,830	10,674		
" 21	3,210	2,852	162					9,477	6,125		
" 28	2,929	2,872	48					6,630	4,677		
Feb. 4	...	...	46					15,950	5,470		
Totals to date	216,360*	215,132*	444,208†	52,826	33,800						

* 62 weeks. † 33 weeks.

Interest free loans received by the Treasury up to February 4th amounted to 11,768, of a total value of £26,830,716. Up to January 25th, principal of Savings Certificates to the amount of £28,472,000 had been repaid.

BANK OF ENGLAND
RETURNS

FEBRUARY 5, 1941

ISSUE DEPARTMENT

Notes Issued:		Govt. Debt...	
In Circul.	601,052,533	Other Govt.	11,015,100
In Bank De- partment	29,189,040	Securities ...	615,759,406
		Other Secs. ...	3,217,323
		Silver Coin ...	8,171
		Amt. of Fid. Issue ...	630,000,000
		Gold Coin & Bullion (at 168s. per oz. fine) ...	241,575
			630,241,575

BANKING DEPARTMENT

Proposed Capital		Govt. Secs. ...	
14,553,000		Other Govt.	141,202,838
Other Secs. ...	3,333,295	Securities ...	19,515,319
Public Depts. ...	19,515,319	Notes ...	22,848,614
		Gold & Silver	29,189,040
Other Depts. ...	110,800,895	Coin ...	1,053,559
Bankers ...	51,665,121		
Other Accts. ...	262,468,016		
	194,294,051		

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

THE WEEK'S CHANGES

Both Departments		Amt. Feb. 5, 1941		Compared with	
		Last Week	Last Year		
COMBINED LIABILITIES					
Note circulation	601,053	+ 1,850	+ 69,948		
Deposits: Public	13,836	- 18,538	- 14,790		
Bankers	110,801	+ 2,917	+ 2,151		
Others	51,665	- 1,340	+ 7,914		
Total outside liabilities	777,355	- 15,111	+ 65,223		
Capital and rest	17,992	+ 17	- 75		
COMBINED ASSETS					
Govt. debt & securities	767,977	- 8,230	+ 71,117		
Discounts and advances	3,333	- 485	+ 841		
Other securities	22,739	+ 6,459	+ 6,600		
Silver coin in issue dept.	8	- 2	+ 502		
Coin and gold bullion	1,295	+ 78	+ 292		
RESERVES					
Res. of notes and coin in banking department	30,243	- 1,771	- 19,655		
"Proportion" (reserve to outside liabilities in Bankg. dept.)	17-1%	+ 0-6%	- 10-4%		

COMPARATIVE ANALYSIS

(£ millions)		1941			
	1940 Feb. 7	Jan. 22	Jan. 29	Feb. 5	
Issue Dept.:					
Notes in circulation	531-1	598-4	599-2	601-1	
Notes in banking department	49-1	31-8	31-0	29-2	
Government debt and securities	675-0	626-4	628-3	626-8	
Other securities	4-5	3-0	3-7	3-2	
Silver coin	0-5	0-0	0-0	0-0	
Gold, valued at s. per fine oz.	0-2	0-2	0-2	0-2	
Deposits:					
Public	28-6	35-3	32-4	13-8	
Bankers	108-7	95-1	107-9	110-8	
Others	43-8	62-6	61-7	61-7	
Total	181-1	182-9	193-3	170-3	
Banking Dept. Secs.:					
Government	121-8	143-0	149-9	141-2	
Discounts, etc.	2-5	3-8	3-8	3-3	
Other	24-9	21-4	25-5	19-5	
Total	149-2	168-2	179-2	164-0	
Banking dept. res.	49-9	32-7	32-0	30-2	
"Proportion"	27-5	17-8	16-5	17-1	

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

THE WEEK'S COMPANY RESULTS

* Free of commission and stamp duty.

Official buying rate 29.78.	(b) Offered.	(c) Nominal.	(d) Free rate.

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.

Prices, Year 1940		Prices, Year 1941		Name of Security	Price, Feb. 4, 1941	Ch'ge since Jan. 28, '41	Yield, Feb. 4, 1941	Prices, Year 1941			Name of Security	Price, Feb. 4, 1941	Ch'ge since Jan. 28, '41	Yield, Feb. 4, 1941
High	Low	High	Low					High	Low	(a) (b) (c)				
77	68	77	76	British Funds										
111	103	110	110	Consols 2½%	77	...	3 4 7	23/11	21/9	74 b	Guest Keen & Co. Ord. £1	22/6	...	5 11 0
98	91	99	98	Do. 4% (alt. 1957)	110	...	3 12 5	22/6	21/9	15 b	Hadfields 10/-	21/3	...	11 4 0
100	95	100	99	Conv. 2½% 1943-45	100	...	2 11 5	21/9	19/6	12 c	Powell Duffryn £1	12/6	...	11 4 0
102	97	103	101	Do. 2½% 1944-49	102	...	2 13 8	46/3	42/6	12 a	S. Dunham Ord. £1	21/3	...	11 4 0
103	94	104	103	Do. 3½% 1948-53	104	...	3 7 5	44/-	41/3	12 c	Staveley Coal, etc. £1	21/3	...	11 4 0
112	107	108	107	Do. 5% 1944-64	108	...	2 8 7	30/-	28/-	10 b	Stewarts & Lloyds £1	21/3	...	11 4 0
92	86	92	92	Fund. 2½% 1956-61	92	...	3 0 9	24/3	21/6	2 a	Swan, Hunter £1	20/6	...	9 16 0
98	92	98	97	Fund. 2½% 1952-57	98	...	2 17 8	16/-	15/-	6 b	Un. Steel Cos. Ord. £1	22/9	...	7 0 0
99	95	99	99	Fund. 3% 1959-69	99	...	3 1 1	4/-	3/6	NH	Vickers 10/-	15/3	...	6 10 0
114	105	114	113	Fund. 4% 1960-99	113	...	3 1 5	33/9	28/9	5 b	Brit. Celanese 10/-	3/9	...	5 9 0
102	98	104	101	Nat. D. 2½% 1944-49	101	...	2 7 0	34/7	31/7	7 c	Coats, J. & P. £1	31/10	...	4 7 0
102	95	101	100	Do. 3% 1954-58	101	...	2 17 10	29/4	26/10	5 b	Courtauld £1	21/3	...	4 7 0
100	100	100	100	War Bds. 2½% 1945-47	100	...	2 8 8	19/3	17/4	7 c	English Swg. Ctn. £1	28/0	...	4 7 0
...	...	...	...	Do. 2½% 1946-48	100	...	2 7 11	53/11	49/10	7 a	Lanes. Cotton Corp. £1	18/9	...	3 3 0
112	105	112	110	Sav. Bds. 3% 1955-65	100	...	2 19 1	41/0	39/3	10 c	Patons & Baldwin £1	53/11	...	3 3 0
103	93	103	103	Victory Bonds 4%	111	...	3 4 3	88/3	82/6	15 b	Electrical Manufacts.	40/-	...	5 0 0
93	80	90	89	War L. 3% 1955-59	101	...	2 19 2	65/6	62/0	10 b	Associated Elec. £1	85/-	...	4 14 0
94	85	95	94	War L. 3½% af. 1952	103	...	3 7 11	19/3	17/6	7 a	British Insulated £1	85/-	...	4 14 0
101	97	100	100	Local Loans 3%	90	...	3 6 11	19/3	17/6	7 a	Callenders £1	85/-	...	4 14 0
71	59	71	70	Redemption 3% 1956-96	94	...	3 4 2	31/0	28/3	10 c	Crompton Park, A.S. £1	18/9	...	5 0 0
97	82	97	96	Austria 3% 1933-53	100	...	3 10 6	80/9	77/-	20 c	English Electric £1	30/-	...	5 0 0
115	105	112	111	India 2½%	96	...	3 12 8	47/0	44/-	7 a	General Electric £1	30/4	...	5 0 0
107	101	105	104	Do. 3½%	112	...	3 11 11	35/3	33/6	5 b	Johnson & Phillips £1	47/6	...	5 0 0
112	105	112	110	Dom. & Col. Govts.										
110	106	108	107	Austria 5% 1945-75	105	...	3 16 7	35/-	32/6	10 c	Clyde Valley Elec. £1	35/-	...	4 11 0
105	100	105	104	Canada 4% 1953-58	110	...	3 1 0	25/-	23/6	3 a	County of London £1	32/6	...	6 3 0
108	103	107	107	Nigeria 5% 1950-60	108	...	3 18 9	14/11	11/3	2 a	Edmundsons £1	24/6	...	4 10 0
116	104	107	107	N. Zealand 5% 1946	105	...	3 18 9	29/6	28/-	5 b	Gas Light & C. £1	13/-	...	5 4 0
85	78	86	84	S. Africa 5% 1945-75	107	...	3 4 0	27/6	25/6	4 b	Lancashire Elec. £1	28/0	...	5 4 0
94	87	94	93	Corporation Stocks										
104	97	103	102	Birham 5% 1946-50	107	...	3 13 0	34/-	32/-	6 b	North-East Elec. £1	28/0	...	5 4 0
92	70	84	81	L.C.C. 3%	85	...	3 10 7	35/6	33/-	5 b	Northmet Power £1	33/11	...	4 13 0
45	12	35	32	Liverpool 3% 1954-64	94	...	3 8 2	35/9	33/9	3 a	Scottish Power £1	34/4	...	4 11 0
80	50	82	79	Middx. 3½% 1957-62	103	...	3 6 6	15/-	13/0	30 c	Yorkshire Electric £1	35/-	...	4 11 0
65	19	36	27	Foreign Governments										
69	50	60	58	Argen 4½% Stz. Bds.	82	...	5 9 0	10/6	9/-	6 b	Austin 5/-	15/-	...	5 0 0
57	37	45	41	Brazil 5% Fd. 1914	35	...	1 7 2 10p	28/9	27/6	12 c	B.S.A. Ord. £1	17/6	...	5 0 0
...	...	...	...	Chile 6% (1929)	32	...	10 17 0	13/3	12/-	112 c	Triol Aero. 10/-	10/3	...	5 0 0
...	...	...	...	China 5% (1913)	22	...	5 0 0	14/0	15/9	5 c	De Havilland Air. £1	27/6	...	5 0 0
...	...	...	...	Egypt Unifed 4%	79	...	5 0 0	18/9	12/2	15 a	Fairey Aviation 10/-	12/0	...	5 0 0
...	...	...	...	Greek 6% Stab. Lm.	19	...	18 12 0	65/-	61/3	25 c	Ford Motors £1	17/9	...	5 0 0
...	...	...	...	Japan 5% 1930	29	...	18 12 0	55/-	50/7	24 a	Hawker Siddeley (S-1)	12/3	...	13 0 0
...	...	...	...	Portuguese 3%	60	...	5 0 0	28/4	24/6	45 a	Leyland Motors £1	63/9	...	6 12 0
...	...	...	...	Spanish 4%	45	...	8 16 10	77/6	73/9	15 b	Lucas, J. (S-1)	53/9	...	6 12 0
...	...	...	...	...	...	...	...	12/-	11/3	22 c	Morris Motors 5/- Ord.	26/3	...	5 4 0
...	...	...	...	...	...	...	...	17/9	17/9	4 c	Rolls-Royce £1	34	...	5 0 0
...	...	...	...	...	...	...	...	21/6	20/3	2 a	Standard Motor 5/-	12/-	...	10 8 0
...	...	...	...	...	...	...	...	17/9	17/9	5 c	Shipping	18/-	...	5 11 0
...	...	...	...	...	...	...	...	9/6	8/3	NH	P. & O. Def. £1	21/-	...	5 18 0
...	...	...	...	...	...	...	...	10/3	9/9	6 c	Royal Mail Lines £1	17/-	...	5 18 0
...	...	...	...	...	...	...	...	17/4	16/6	6 c	Union Castle Ord. £1	9/6	...	5 0 0
...	...	...	...	...	...	...	...	28/9	26/9	7 a	Tea and Rubber	10/3	...	5 0 0
...	...	...	...	...	...	...	...	3/4	3/4	6 b	Allied Sumatra £1	10/3	...	5 0 0
...	...	...	...	...	...	...	...	26/10	26/-	6 c	Anglo-Dutch £1	17/-	...	5 0 0
...	...	...	...	...	...	...	...	2/4	2/3	9 c	Jokal (Assam) £1	30/-	...	6 13 0
...	...	...	...	...	...	...	...	35/-	35/-	20 c	London Asiatic 2/-	3/3	...	6 13 0
...	...	...	...	...	...	...	...	25/9	24/6	12 a	Rubber Tree £1	26/3	...	6 13 0
...	...	...	...	...	...	...	...	47/6	44/-	7 a	United Serlang 2/-	24/4	...	4 4 0
...	...	...	...	...	...	...	...	58/11	58/11	7 b	Oil	24/4	...	4 4 0
...	...	...	...	...	...	...	...	28/6	27/3	5 b	Anglo-Italian £1	40/-	...	2 10 0
...	...	...	...	...	...	...	...	40/-	37/3	5 b	Apex (Trinidad) 5/-	25/6	...	5 17 0
...	...	...	...	...	...	...	...	43/0	41/0	6 a	Burmah Oil £1	57/6	...	5 17 0
...	...	...	...	...	...	...	...	95/-	87/6	7 a	Shell Transport £1	44/4	...	2 5 0
...	...	...	...	...	...	...	...	62/6	62/6	7 a	Trinidad Leaseholds £1	61/3	...	4 19 0
...	...	...	...	...	...	...	...	69	64	4 c	Miscellaneous	61/3	...	4 19 0
...	...	...	...	...	...	...	...	34	34	11 a	Assoc. P. Comm. £1	61/3	...	4 19 0
...	...	...	...	...	...	...	...	34	34	11 a	Barker (John) £1	27/6	...	3 12 0
...	...	...	...	...	...	...	...	34	34	11 a	Boots Pure Drug 5/-	27/6	...	4 2 0
...	...	...	...	...	...	...	...	34	34	11 a	Brit. Aluminium £1	41/10	...	5 10 0
...	...	...	...	...	...	...	...	34	34	11 a	Brit.-Amer. Tob. £1	91/3	...	3 18 0
...	...	...	...	...	...	...	...	34	34	11 a	British Oxygen £1	65/-	...	5 4 0
...	...	...	...	...	...	...	...	34	34	11 a	Carrington & W. H. Rd. Stk.	55/-	...	2 16 0
...	...	...	...	...	...	...	...	34	34	11 a	Electric & M. Ind. 10/-	33/9	...	5 6 0
...	...	...	...	...	...	...	...	34	34	11 a	Elec. A. M. Ind. 10/-	33/9	...	5 6 0
...	...	...	...	...	...	...	...	34	34	11 a	Ever Ready Co. 5/-	27/6	...	7 8 0
...	...	...	...	...	...	...	...	34	34	11 a	Forestral Land £1	23/9	...	5 11 0
...	...	...	...	...	...	...	...	34	34	11 a	Gallaher Ltd. Ord. £1	43	...	7 18 0
...	...	...	...	...	...	...	...	34	34	11 a	Gasometer (D) 5/-	19/4	...	6 14 0
...	...	...	...	...	...	...	...	34	34	11 a	Harriss & Cross. Df. £1	42	...	5 1 0
...	...	...	...	...	...	...	...	34	34	11 a	Imp. Chem. Ord. £1	27/6	...	5 7 0
...	...	...	...	...	...	...	...	34	34	11 a	Imp. Smelting £1	11/3	...	6 4 0
...	...	...	...	...	...	...	...	34	34	11 a	Imp. Tobacco £1	41 1/2	...	4 4 0
...	...	...	...	...	...	...	...	34	34	11 a	Inter. Nickel n.p.	337	...	5 8 0
...	...	...	...	...	...	...	...	34	34	11 a	Leaver & Unlever £1	23/9	...	4 2 0
...	...	...	...	...	...	...	...	34	34	11 a	London Brick £1	48/9	...	4 2 0
...	...	...	...	...	...	...	...	34	34	11 a	Lons J. Ord. £1	72/6	...	5 6 0
...	...	...	...	...	...	...	...	34	34	11 a	Metal Box. "A" 5/-			

THE BANK OF NOVA SCOTIA

(Incorporated in Canada with Limited Liability)
Established 1832

General Office: Toronto, Canada

Paid Up Capital	\$12,000,000
Reserve Fund	\$24,000,000
Total Assets over	\$300,000,000

Special facilities are available to the public through the Branches of this Bank for the transaction of business with Canada, Newfoundland, Cuba, Puerto Rico, Dominican Republic, Jamaica, and the United States at Boston and New York.

Address enquiries to

London Branch:
108 OLD BROAD STREET, E.C.2
E. C. MACLEOD, Manager

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hongkong. The liability of members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony.)

AUTHORISED CAPITAL	\$50,000,000
ISSUED AND FULLY PAID-UP	\$20,000,000
RESERVE FUNDS (STERLING)	\$6,500,000
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

BRANCHES IN ALL PRINCIPAL PARTS OF THE WORLD

London Office: 7 BISHOPSGATE, E.C.2 H. KANO, London Manager

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS	£13,300,000
ASSETS EXCEED	£72,400,000
CLAIMS PAID EXCEED	£125,100,000

DOMINION OF CANADA

TWO-AND-A-HALF PER CENT. INSCRIBED STOCK, 1947

For the purpose of preparing the Interest Warrants due 1st April, 1941, on the above-mentioned Loan, the BALANCE will be STRUCK on the evening of 1st March, 1941, 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 February, 1941.

SHORTER COMMENTS

(Continued from page 191)

Canadian Pacific Railway.—Aggregate net earnings of the Canadian Pacific Railway for 1940 \$35,639,000, an increase of \$7,115,000 over 1939.

English Velvet and Cord Dyers' Association, Ltd.—Profit 1940, £57,399 (£40,014). To depreciation, £17,261 (£17,683). Debenture interest, £8,379 (£8,379). Surplus on realisation of investments, £4,791. Net profit, £31,759 (£13,752). Preference dividend 3½ years to end of 1940, £21,321. Ordinary dividend 2½ per cent. (nil). Carry forward, £14,286 (£5,312).

Peter Robinson, Ltd.—Proposals are under discussion for a moratorium in respect of debenture interest and sinking fund. Payment due on February 1st to be withheld.

Fison, Packard & Prentice.—Total profit of group for year to June 30th, 1940, £445,815 (£331,385). Taxation, £227,857 (£83,383). Ordinary dividend 10 per cent. repeated. Carry forward, £534,946 (£515,341).

Bell & Nicolson.—Trading profit, year 1940 (after taxation and bad debts), £41,032 (£48,578). Net profit, £35,877 (£43,625). Ordinary dividend unchanged at 14 per cent. Carry forward, £35,161 (£25,044).

General Engineering Co. (Radcliffe).—Net profit, year to November 30, £8,671 (£4,327), after taxation, £13,883 (£4,965). Ordinary dividend 15 per cent. against 10 per cent.

Barrow, Hepburn & Gale.—Ordinary dividend of 6 per cent. recommended for 1940 as in 1939. Net profits for 1940 £67,583 (£80,129 after £10,828 written off shares in subsidiaries).

United States Steel Corporation.—Net income, fourth quarter, 1940, \$32,763,000 (\$28,729,000). Total net income for 1940, \$102,181,000 (\$41,120,000).

Scottish Stockholders Investment Trust.—Net revenue for the year to November 30 £21,795 (£20,081). A dividend of 5½ per cent. is again paid on preference stock, £400 (against £200) is provided for taxation, and £11,655 is carried forward (against £10,060). Preference dividends remain 12 months in arrear. A valuation of the investments shows a depreciation of 27.1 per cent. (against 23.8 per cent.).

Ashanti Goldfields.—Aggregate profit year to September 30th, 1940, £1,408,333, against a gross profit of £1,721,294, and a net profit of £1,354,722 in 1938-9. Ordinary dividend reduced from 95 to 80 per cent.

ASHANTI GOLDFIELDS CORPORATION LIMITED

NOTICE IS HEREBY GIVEN that a Final Dividend (No. 88) of 35 per cent., less Income Tax at 8s. 6d. in the £, has this day been RECOMMENDED on the issued Capital of the Corporation in respect of the year ended 30th September, 1940, and will be payable on and after the 26th March, 1941, to all Shareholders on the Registers on the 4th February, 1941.

The TRANSFER BOOKS will be CLOSED from the 5th to the 12th February, 1941, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board,

H. E. ASHBY, Manager and Secretary.

Temporary Registered Office:

St. Hilda's School, Bushey, Herts.

4th February, 1941.

BIBIANI (1927) LIMITED

NOTICE IS HEREBY GIVEN that a Dividend (No. 7) of 17½ per cent., less Income Tax at 6s. 1d. in the £, has this day been RECOMMENDED on the Capital of the Company in respect of the year ended 30th September, 1940, and will be payable on and after the 26th March, 1941, to all Members on the Registers on the 4th February, 1941.

The TRANSFER BOOKS will be CLOSED from 5th to 12th February, 1941, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board,

H. E. ASHBY, Secretary.

Temporary Registered Office:

St. Hilda's School, Bushey, Herts.

4th February, 1941.

TERMS OF SUBSCRIPTION TO THE ECONOMIST

12 Months	£ s. d.
6 Months	3 0 0
	1 10 0

Cheques to be made payable to The Economist Newspaper Ltd.

PUBLISHING OFFICE:

8 BOUVIERIE STREET, LONDON, E.C.4

Telephone: Central 8631

OFFER TO NEW READERS

Any reader who makes his first acquaintance with this journal with this week's issue is invited to fill up the attached:

To The Publisher, Economist Newspaper Ltd.,
8 Bouverie Street, E.C.4.

In order to test the value of your publication I should like you to forward it to me by post for the next four weeks. If I then decide to become a subscriber, it is understood that there will be no charge for the copies thus received, but otherwise I shall be willing to pay 4s. to cover their cost.

Name.....

Address.....

THE ECONOMIST

Vol. CXL

FEBRUARY 15, 1941

No. 5086

CONTENTS

LEADING ARTICLES

Bulgaria's Turn	203
The Battle of the Gap	204
The South Seas	205
Retailers' Front	206

NOTES OF THE WEEK

The First of the English	207
Team Changes	208
Mr Winant and Mr Willkie	208
Vichy Changes Again	208
Benghazi and After	209
Caudillo and Duce	209
Air Ministers	209
Fire Bomb Fighters	210
"Ca' Canny"	210
Shelter Policy	210
An Unreal Vote	210
Politicians at Play	211
Lines of Communication	211
Trinidad's Constitution	211
New England	212
Shorter Notes	212

LETTER TO THE EDITOR

The Finance of a Newspaper	212
----------------------------	-----

THE WORLD OVERSEAS

Headway in America	213
Ulster's Linen Industry	214
Congo in the Sterling Bloc	214
Czechoslovakia's Bad Harvest	215

THE BUSINESS WORLD

LEADING ARTICLES	
Munition Contracts	216
Industry's Reward	217

FINANCE AND BANKING

Tax Payments Again	218
Indian Securities Call-up	218
Accumulation of Indian Balances	219
A Precedent and its Implications	219
Frozen Assets in U.S.A.	219
Belgian Gold	219
Fire Losses in 1940	219

INVESTMENT NOTES

Unified Stockbroking	220
Full Register of Agents	220
Vesting India Stocks	220
New Yield Criterion	221

COMPANY NOTES

Woolworth Expansion	221
English Electric Progress	222
Thomas Tilling Report	222
Yorkshire Electric Power	223
Textile Progress	223
THE STOCK EXCHANGES	223
CAPITAL ISSUES	224
SHORTER COMMENTS	224

INDUSTRY AND TRADE

Agricultural Budgets	225
Cut in Textile Quotas	225
Lancashire's Export Policy	225
Paper from Straw	225
Less Steel for Tinplate	226
Wages in 1940	226
The Wholemeal Loaf	226
Roumanian Oil a Military Objective	226
COMMODITY AND INDUSTRY NEWS	227

COMPANY MEETING

227

CURRENT STATISTICS

228

Bulgaria's Turn

MR CHURCHILL'S grave words on the plight of Bulgaria in his broadcast on Sunday brought the case of that unhappy country into the centre of the news. The Bulgarians can no longer deceive themselves into hoping that Britain will turn a blind eye to a quiet absorption of their country by Germany and the strategic problem of meeting a new German advance is put squarely before Britain and her allies, Greece and Turkey. Germany would perhaps have preferred a slower process of penetration, but Greece's resistance and the utter rout of Italy have made resistance and more brutal methods necessary. The easiest way to help Italy is to take Salonika, and Salonika can best be reached through Bulgaria. Hitler is already fighting on an Atlantic and a Mediterranean front. He cannot risk the opening of a third.

The German advance could perhaps have been checked by a resolute Bulgarian stand, and until recently the independent and courageous tone of King Boris and his Ministers suggested that a stand would be made. On January 12th M. Filoff declared his country's determination to defend its integrity "by arms if necessary," and only last week M. Bagrianoff, the ambitious and Nazi-inclined Minister of Agriculture, was dismissed from his office. A stand seemed all the more likely in the light of the various defensive possibilities open to the Bulgarians. There was Soviet Russia, linked with Bulgaria by common ties of blood and speech and by an overwhelming strategic interest in the Black Sea and the Straits. Another alternative—a combination with Turkey, Greece and even Yugoslavia—had the advantage of entailing the strong possibility of British support. Of all the ways open to Bulgaria, that of complete surrender to Germany seemed the least attractive. The people had only to look north to their Roumanian neighbour to see the price of collapse.

But it appears that surrender has been preferred. Military infiltration goes forward without any official protest, and Sofia is now describing resistance as "suicide" and attempting to secure Turkey's passivity if German troops are allowed transit. The primary reason behind the collapse is fear. Germany has mustered a large striking force on the northern frontier, and the Bulgarians must have felt that the acceptance of any outside help—whether from Russia or from her southern neighbours—would have automatically transformed Bulgarian territory into a battlefield. And behind this fear is perhaps the feeling which has already done Britain so much disservice among hesitant neutrals—that a small nation has less to fear from a victorious Britain than from a victorious Germany, and that it is better to appease Germany so long as the issue is undecided.

Behind these general grounds for inaction lie particular objections to each alternative line of policy open to Bulgaria. It may be true that M. Soboleff, the Russian envoy who visited Sofia two months ago and who returned there recently, brought on both occasions the offer of a military alliance provided Bulgaria would make a stand. It would be an astonishing break with Russia's previous diplomatic practice vis-à-vis Germany, yet the Kremlin may have argued that a stand in Bulgaria would have called Hitler's bluff—if it was bluff. But from the Bulgarian standpoint, the fate of the Baltic States makes a Russian guarantee a very doubtful blessing, and the ruling class at least must prefer German to Soviet occupation since, while both bring servitude, the former guarantees them something of their old status. Moreover, the Bulgarians may have argued that Russia's offer was insincere, and that, had they accepted it, they would have been left facing an enraged Germany while Russia conducted a "tactical withdrawal." Whatever the reason, the Russian

proposals, if made, were rejected, and now Russia is hinting that if Germany occupies the country, she must have bases to guard the mouth of the Danube and the Black Sea. This suggests a joint move on the Roumanian model, Russia getting the Dobrudja as she got Bessarabia, and Germany the rest.

An understanding with Turkey and Greece, backed by Britain, bore none of the risks of a Russian guarantee. There would have been no risk of absorption, and Britain had formally undertaken to secure Bulgaria's integrity and independence at an eventual peace settlement. Here, however, old antipathies, skilfully exploited by German propaganda, were probably the obstacle. King Boris and his Ministers have been very moderate over Bulgaria's revisionist claims, but they could not abandon them, and it may well have been the nationalist, pro-Nazi army that refused co-operation with Turkey, from whom Bulgaria claims Adrianople, or with Greece, from whom she asks Greek Macedonia and an Aegean coastline. It is also possible that the Bulgarians would have liked to stipulate conditions for co-operation, involving a new territorial settlement, and to this neither of her potential allies would agree. Revisionism has always defeated Balkan unity. It is certainly no less active to-day.

Bulgaria may, too, during the autumn of 1940, while the German pressure increased, have entertained some doubts over the efficacy of the help Great Britain and her neighbours could offer. Greece is fully engaged, Turkey has shown an alarming tendency to restrict the geographical scope of her "security zone" with each new Axis encroachment and, until quite recently, Great Britain's military power in the Near East seemed to be on the retreat rather than ready for new ventures, while her diplomacy was hardly such as to create real confidence in her power and willingness to give assistance. Here, however, is a situation which can surely be put right. The impression of diplomatic weakness should be rectified by firm action in Roumania. The Government has at last recognized that Roumania is part of the

Reich, and very properly, if belatedly, taken steps to break off diplomatic relations. But Britain should go further. Roumania contains the most vulnerable and largest single source of Germany's most vital war material. Contrary to official statements, the Roumanian oil wells are inflammable, incendiary bombs could cause chaos by igniting the national gas which Roumanian methods of boring sets free in large quantities, the area is practically restricted to Ploesti and the refining plant is vital to Germany, who cannot refine anything like all the oil in her own plants. The grip of winter is still on the country, water supplies are frozen, and the whole business of fire-fighting is complicated as a result. If it is militarily practicable, now surely is the time to strike a blow which will not only damage Germany's supplies system but will also be a reminder to Sofia that complete immunity cannot be purchased by surrender.

Nor is Britain's military weakness so apparent to-day. In Africa she has a victorious army which has secured astonishing results with remarkably little damage to its efficiency and which will soon be free for operations elsewhere in the Near East. Britain's freedom of manoeuvre is very great in a sea in which she has complete mastery, and her air assistance to Greece has already been effective. Very belatedly, but perhaps not too late, Britain is in a position to exercise counter pressure in an area which has hitherto been Germany's preserve and to make certain that the land front in Europe, of which grand strategy is so greatly in need, will not be allowed to go simply by default. Turkey is Britain's ally, non-belligerent so far, but the crisis for which the alliance was first planned is already upon the Balkans, and firm diplomacy on the part of the British Government can still at this juncture rouse the Turks to their opportunities and responsibilities—if not the Bulgars to the risks they run. Britain, with her victories behind her and the vast possibilities of Anglo-American collaboration opening out ahead, is a power and a portent even in the Balkans provided the strength of her diplomacy keeps pace with her increase in military strength.

The Battle of the Gap

THE promised pre-Budget debate on financial policy in the House of Commons duly took place on the resolutions for Votes of Credits at the end of last week; the House of Lords has also had a similar debate this week on a motion by Lord Balfour of Burleigh. These debates have amply fulfilled their purpose even though they have differed only in the magnitude of the figures from others that have been held since the outbreak of the war. Unofficial members of both Houses and of all parties have shown themselves anxious about the state of the national finances, well-informed on the principles at issue, moderate in their proposals. Spokesmen for the Government, on the other hand, have pursued their consistent policy of underrating the financial problems that face them. They have recognised the risk of inflation—but as something that might have to be feared in some years' time, not as something that has been with us since September, 1939, and in much enhanced degree since September, 1940. They are willing to consider novel and really drastic plans of fiscal rescue—but always in the future. They recognise, as the Lord Chancellor did on Wednesday, that there is a gap between expenditure and what can be raised by non-inflationary means, but since they cannot exactly assess it, they content themselves with saying that everybody else exaggerates it. The policy, in short, is still that of Let's Pretend.

The problem of the Budget in wartime is a continuous Battle of the Gap. Expenditure is chronically in excess of what can be raised by taxation or borrowed

from savings. That there should be a gap is almost inevitable; but it is essential that it should be kept to the smallest possible figure. An article in *The Economist* two weeks ago made an attempt to arrive at a preliminary estimate of the gap that will have to be bridged in the coming financial year. Without any pretence of precision, it was suggested that expenditure, which is currently running at nearly £4,500 millions a year, would certainly be well in excess of £5,000 millions in the year 1941-42, while revenue, on the existing basis, could not be expected to be more than £1,700 millions at the most. There is thus a prospective deficit of at least £3,800 millions, or, say, £300 millions a month. But the deficit is not the same thing as the "gap," in what is coming to be the accepted connotation of that word, for there are several sources of funds at the Treasury's disposal which, while not tax revenue, are nevertheless non-inflationary. The most important of these is, of course, the borrowing of genuine savings. Another is the realisation of foreign assets and a third is the accruing surplus on a number of funds such as the Unemployment Fund. But the conclusion reached a fortnight ago was that while the deficit can hardly be put at less than £800 millions a month, these non-inflationary sources can hardly be put at more than £150 millions a month, leaving a real "gap" of £150 millions a month.

This distinction between the deficit and the "gap" is the chief source of confusion, genuine or induced, in discussions of fiscal policy. The obscurities are at

their maximum in the case of foreign purchases. When the British Government buys £10 millions' worth of munitions in the United States, the effect is, of course, to increase the figure of expenditure by £10 millions. But if these munitions are paid for by a sale of £10 millions of gold, the Exchange Equalisation Account has £10 millions to invest in Treasury Bills, and the Exchequer's receipts are increased by this amount, which is neither tax revenue, nor savings, nor yet the inflationary creation of purchasing power in this country. In any discussion of the likelihood of inflation, it would be an advantage if it were possible to exclude, from both sides of the account, all foreign purchases paid for by the depletion of the country's external capital assets or the increase of its external debts. Out of the present total expenditure of, say, £4,400 millions a year, it may be that £800 millions a year is paid for by these methods. The balance would then be at the rate of £3,600 millions a year now, and we may guess that it will be at least £4,500 millions in the coming financial year. (This assumes a continuance of the present rising tendency of prices, and therefore to some extent anticipates the conclusion of the argument, but he would be a hardy prophet who assumed the contrary.) Against this £4,500 millions, revenue, as estimated a fortnight ago, will bring in, without any increase in taxes, no more than £1,700 millions. Having left the realisation of foreign assets aside, we are left, of course, with a diminished total of non-inflationary sources of finance. Indeed, they are unlikely to be much, if any, more than the gross total

of subscriptions to Government loans. We can allow a maximum of £1,200 millions a year, leaving a "net gap" of £1,600 millions a year, or, say, £150 millions a month. This calculation is not a revision of that given a fortnight ago, which was intended to include foreign purchases on both sides; it is rather a demonstration that foreign purchases—and by necessary extension, the "Lease and Lend" Bill—do not greatly affect the question whether the financing of the war is a predisposing cause of rising prices. Nor do they affect the fact that, whether the prospective gap is a dozen or a score of millions more or less than the figure of £150 millions a month, it is still a very large and very serious figure.

The phrase "predisposing cause" is Sir Kingsley Wood's. It is strictly accurate. The existence of a "gap" financed by the creation of credit does not make a rise of prices inevitable. It creates a greater quantity of purchasing power than can be spent on the available goods at present prices. But if rationing is all-inclusive enough, if the Prices of Goods Act is strictly enforced, if wages and material prices are kept down, this additional purchasing power may find it impossible to spend itself. It would, therefore, be a mistake to lay the blame for the rising prices from which we have suffered, are suffering, and shall suffer on Budgetary policy alone, without also blaming the Government's policy for industrial and raw material prices, which positively encourages them to rise, and on its complete lack of any wages policy at all. But "predisposing causes" also have their importance.

The South Seas

THE "China incident" drags on without hope of a decision on either side. Throughout the third year of war, Japanese resources and man power were drained away with little or nothing to show for it, and to-day with half another year gone, Prince Konoe has to admit that there is little likelihood of a quick decision.

Fortunately for the Japanese, a new field of manoeuvre has been opened by the events of last summer in Europe. Holland was conquered, France collapsed, and the naval balance appeared to be so transformed by the loss of the French Fleet that Japan could at least reckon on the democracies pursuing a more timid naval policy in the Far East. Japan was in the position of a man who suddenly discovers that a number of wealthy but intestate aunts have died and that he has a sporting chance of establishing himself as next of kin.

The drive began almost before the last gun had fired in France. In the economic sphere, it took the form of growing pressure on the Dutch East Indies. Mr Kobayashi arrived with an impressive trade mission, and, when weeks of negotiation led only to the sale of 900,000 tons of oil. Mr Yoshizawa was despatched on a "last diplomatic effort." Before he left Japan, he made a number of pointed statements about his country's Have-Not status and the necessity of securing important concessions from the Dutch; on his arrival it was found that the terms he proposed for discussion included the right for Japan to explore the outer Dutch East Indies, to establish an airline, to secure mining and fishing concessions and fields for exploitation in undeveloped areas, and finally to settle Japanese citizens in the Indies as business and professional men.

The Dutch took this to be an economic smoke screen masking political annexation and attempted to limit the talks to barter trade. Their suspicions have been increased in recent weeks by the Diet's bout of imperial bombast over Japan's "mission of leadership," and a strong protest has now been lodged with Tokyo, disclaiming all intention

of joining anybody's "new order." The Japanese rejected the protest, but Japanese officials both in Tokyo and Batavia went out of their way to stress the purely economic nature of the "new order." The Dutch remain obstinately unconvinced.

The economic offensive has so far fared badly. But Japan has had better success in Indo-China, where it was possible to bring direct military pressure to bear. After brief resistance in September, the French authorities had to agree to concessions—airfields, garrisons, trade facilities, and the rest. The Japanese had prefaced their drive by evacuating the Kwangsi peninsula, and by the time the French capitulated these troops were available for use in the South. To-day there are probably two divisions in Hainan, and at least another at Formosa. Under the agreement with Vichy a large garrison was established at Haiphong, and it has been steadily strengthened throughout the autumn. The economic advantages of this occupation are substantial enough. Indo-China was an "assimilated" colony, and the bulk of its trade was therefore with France. Japan will now be in a position to oust France and to create her own monopoly of textiles, equipment and cheap goods. In return there are mineral reserves—coal, iron, tungsten—as well as rubber and rice.

Japan's aims are, however, primarily strategic. After Indo-China has come the turn of Thailand. Here, too, the events of last June brought about a revolution of policy. As recently as June, 1939, the Thai Government offered France and Britain the use of Thailand's airfields and fueling stations, asking in return a guarantee of her independence. The catastrophe in the West was Japan's opportunity and Thailand's internal situation was favourable. The Thai regime, nominally elective, is actually controlled by a military clique under Luang Bipul Songgram, whose attitude to government is admirably illustrated by the fact that he combines the offices of Prime Minister, Minister of Defence, of Foreign Affairs, and of the Interior. Japan played on his intense nationalism, offering support to Thailand's long-

standing territorial claims on Indo-China, and hinting that with Vichy's impotence, the time for action had come.

Fighting broke out between Thailand and Indo-China in November along the Mekong River. Japan undoubtedly abetted both sides, and without her encouragement it is likely that the fighting would have petered out. Through December and January, the sporadic attacks continued, developing in the New Year into more vicious fighting with mass air attacks and sharp naval engagements. But both sides seemed to have little heart for it and were ready to accept the offer of Japanese mediation.

Negotiations have opened, and the purpose of Japan's intervention is made manifest in the terms which are shaping over the conference table. Thailand's claims are moderate enough—a rectification of the frontier on the Mekong, which involves the transfer of some islands. The mediator's terms are likely to be more onerous—the right to patrol the disturbed frontier and an effective occupation of Camranh Bay.

Enough has happened to explain Japan's general strategy. Behind the façade of speeches on the "new order," behind such extravaganzas as the recently founded "League for the Emancipation of South-Eastern Asiatic Nations," whose aim is to free the "five hundred million people in Annam, Cochin China, the East Indies, the Malay Peninsula, Burma, India and the Philippines," lies a ruthless expansionist diplomacy which is pursuing its objectives with a cold and consequent logic. A glance at the map of the South Seas (as defined by Japan) makes it clear that so long as 3,000 sea miles separate Japan from the riches of Java and Sumatra, so long as the Philippines with American naval squadrons at Manila lie in between, and the British Commonwealth remains on guard at Singapore, a Japanese "new order" must remain a wild hope in the minds of the Black Dragon Society. The concentration of troops in Formosa and Hainan, the gradual building up of an army of occupation in Indo-China, above all, the creation of a naval base near Saigon only some 850 miles from Singapore or Manila, are all necessary preliminaries to putting the military sting into the economic pressure which is being exerted on the Dutch to-day—and perhaps on Malaya tomorrow. Japan's gains so far are not negligible, and if Germany's blows in the West should come to exhaust the resources of the great democracies below the safety line in the Far East, a land and sea attack upon Singapore, the nodal point of Britain's whole Far Eastern defence system, comes within the bounds of possibility.

Retailers' Front

ASSOCIATIONS of retail traders have grown very much in strength since the war started. Indeed, within their own ranks, it is often said that a few months of war have brought them nearer to their objectives than many years of hard work in peacetime. The reason is not far to seek. These associations aim to speak for entire trades with a single voice in accordance with a common policy; and the control of supplies and regulation of prices by the Government have brought home to "independent" retailers the need for some spokesman or intermediary between them and the authorities. Individual traders are in no position to make constant approaches to public departments and official committees for information or to bombard these bodies with complaints and suggestions. So, in every branch of trade, they flock into associations in search of aid and shelter.

The tendency is natural and the result unexceptionable insofar as it makes wartime organisation easier. In war economy corporate groups can undoubtedly exercise useful functions. But some of the consequences must be suspect. The direction of these associations is always towards quasi-monopolistic domina-

tion of their trades, and in wartime this trend is encouraged in many ways. In every business scarcity and the limitation of supplies check newcomers. Prices tend to go up, and price-cutters—hitherto the chief obstacles to the associations' policy of keeping prices up—fare badly. The associations wax while their rivals wane.

Moreover, the various associations work together. Representations on any question relating to, say, retail tobacconists will possibly be made, not only by their own associations, but also by the associations, unions and federations, local and national, of confectioners, newsagents, hotels and restaurants and office-holders—perhaps even with the backing of that very active general body, the Retail Distributors' Association. Each trade association is a hierarchy, beginning with the local or district organisation and rising to a National Council or Federation, and as all these hierarchies interlock in their activities, it means that horizontally as well as vertically, over the whole field of retailing, they exercise a nation-wide power in pursuit of aims which are often by no means national. It is, for instance, a main plank in Lord Woolton's

Yet Japan's path to hegemony is by no means as smooth as her more enthusiastic publicists suggest. In the West, the very unwarlike attitudes of the Italian fleet and the insistence of Vichy on the strict letter of the Armistice have prevented Great Britain from feeling any serious naval embarrassment, and the appointment before Christmas of Sir Robert Brooke-Popham as Commander-in-Chief in the Far East coincided with the arrival of strong reinforcements at Singapore. Singapore is also an important air base, and its rear is secured by jungle country through which an invading army would make heavy going. The recent despatch of a strong bombing force to North Malaya shows that the High Command is leaving nothing to chance on the Thai frontier. The Dutch Navy, with cruisers, destroyers and a score of submarines, is not a negligible force, particularly when operating in the coral-strewn waters of the China Sea, where uninstructed pilots court certain disaster.

The Australian Navy with a strong force of cruisers and destroyers must be added, and since the situation in the Far East grew more threatening last summer, important concentrations of the American fleet have remained in the Western Pacific. Even on the basis of its unexpanded naval programme, the United States Navy seriously outnumbers the Japanese in destroyers and submarines, and in emergency would no doubt make full and co-operative use of Singapore. Germany's menace in the Atlantic has not yet been sufficient to warrant the withdrawal of any parts of the American Pacific fleet. Indeed, the Tripartite Pact has made it certain that in almost any circumstances the Pacific fleet will stay west of Panama. The Japanese have, in fact, pulled Germany's chestnuts out of the fire. Even if Japan entered the war, she could hardly change these hard strategic facts.

Short of a complete disaster in the West and the collapse of Britain's imperial power, the Japanese "new order" will remain for many years to come at the most the mere "area of common prosperity" the moderates proclaim it to be, provided always that Britain and America are prepared to maintain a vigilant guard and to abstain from any tempting openings for appeasement at their own or others' expense. If the Dutch are to continue to resist political concessions, if the Siamese are to maintain their independence, they will, of necessity, be faced with risks and hazardous decisions. The risks will be taken only if there is the assurance of solid Anglo-American support in the background. Our own security demands that we provide that assurance.

food policy that he is anxious "to do nothing that will prejudice the works' canteens which to-day are a general feature of industrial life." The retail trade associations, however, think otherwise. Only a short time ago, a resolution of one great retail trade organisation called for steps "to curtail the increasing number of canteens in connection with the auxiliary services, while regular traders are suffering from insufficiency of stock"; a local M.P. was approached; an "earnest appeal" was addressed to the Minister "for the removal of the privilege given to the service of industrial canteens in the matter of supplies"; and a Northern Irish retail confectionery association went so far as to complain of the priority given to "hospitals and the defence services" in the supply of block chocolate.

Again, it may be the legitimate right of retailers' associations to agitate against the "undue" limitation of these supplies by official Order, but it is disturbing—to say the least—to discover how far "representations" on this score are taken. The narrow-sighted protests of the cosmetics trade even secured the same sort of editorial publicity in the Press only a few weeks ago that most retailers' complaints obtained at the back-end of 1939 when nobody, shopkeeper or journalist, yet realised that the war had started. A leading figure of the hairdressing profession recently put on record his view that "The ladies' trade with 25 per cent. of its former supplies cannot exist . . . all trade organisations ought to bombard the Board of Trade with their protests . . . the posters ask our women to keep smiling and cheerful, but how can they do that unless they can get hairdressing service?" Similarly, leather-bag manufacturers complain that shopping bags are treated under the Limitation of Supply Order as fancy goods and "lumped in with art-craft ware, jewel cases and other luxury articles"; "shopping bags (so writes one firm to a trade journal) would seem to be just as much a necessity as children's wear."

Examples of this sort of special pleading, backed by considerable pressure, are legion. In another case, the sellers of electric lamps have been alarmed by the fact that some lamps can be sold at a lower price than others owing to the difference of discounts, or margins, granted by the manufacturers to retailers and, by agreement with the tax authorities, taken into account when the tax is charged. The tax does not work out to the same amount on the same type of lamp; so a "one-shilling lamp" plus tax may cost 1s. 3d. here, but 1s. 2½d. there if supplied by another manufacturer under other conditions of discount. The authorities, it is argued by a trade journal, ought to have known this, and before making

the arrangement should have "insisted that lamp manufacturers came to an agreement between themselves on basic discounts." Now, it is one of the great monopolist aims of trade associations to standardise discounts and margins so as further to reduce competition between manufacturers and their retailing customers; and in this case it is actually suggested that the Government should enforce this standardisation—in the direction most favourable to the organised traders. Manufacturers' associations are also involved in these interested discussions. The supporters of "standardisation" complain in this way about the differences in the discounts allowed to retailers by different manufacturers, but remain silent about the arrangement made by some manufacturers to grant a much bigger discount to traders who confine their business to one group of manufacturers—the "association manufacturers"—while they concede a much smaller profit-margin to the so-called "free retailer." It is not a very far cry from this attitude to, say, a request by traders' or manufacturers' associations for State assistance in building up monopolist organisations with universally fixed margins, discounts and prices and the rigid limitation of all forms of competition.

The fact is that war is a dangerous pace-maker on the road to monopoly. Nobody could deny the special difficulties under which the greater part of retail trade is at present labouring; and the majority of shopkeepers are by no means "capitalists." Charles Madge, in a recent statistical survey of a western town, reported that, out of seventy-two traders' families interviewed, forty-two had an income corresponding to that of the higher or lower "working class"; and it would be a good deed if the trade associations could help these impecunious retailers in their hard struggle. But this help should not consist in "bombarding" public departments with requests for a larger share of business than is actually reasonable or permissible in the national interest. It should not consist in receiving greater—even semi-official—powers against outsiders and non-association traders. It should not consist in demands for protection against new competitors or for the suppression of channels of distribution useful to the special exigencies of war-feeding, such as canteens, coffee stalls and the like. The work of trade associations ought generally to be limited to matters of technical organisation, to the simplification of trading methods and to assisting Government departments in public schemes. The basis of any sound attitude towards these new trade guilds is still Adam Smith's famous observation that "the pretence that corporations are necessary for the better government of trade is without any foundation."

NOTES OF THE WEEK

The First of the English

Mr Churchill has broadcast twice recently, once momentarily to the people of Italy, and once, last Sunday, to the British people at home and in the Empire—"taking stock" for the first time for five months. To the Italians, he forecast the tearing asunder of all their dominions, and to the British people last week-end he told how this was being done; how the "crafty, cold-blooded, black-hearted Italian" had "got into trouble"; how the heroic Greeks had thrown back his forces in Albania; how the Army of the Nile had "knocked" and "it had been opened unto them"; how the "process of reparation" had begun in Ethiopia; how the "forward surge" of the Army had been supported by all the "flexible resources of sea-power"; how the bolstering Junkers had been blown from the Malta sky; and how the "canonade of Genoa" had gone "rolling along the coasts"—towards France. Mr Churchill writes, makes and speaks history. He told of the "repulse of the invader" last year and the "frustration of terror"; of the

"Waterloo" won by civilians and the maintenance of good health and the abatement of crime. He spoke of "deep thankfulness, strong comfort and even rejoicing." But he spoke also, with his own stern frankness, of the "more serious, darker and more dangerous aspects," and of the "greater violence" that was to come; of the Nazis' swoop to the Black Sea with their "forward tentacles" in Bulgaria; of their complots in the Central Mediterranean with "the Italian Quisling, who is called Mussolini," and "the French Quisling, commonly called Laval"; and of the greatest danger of all, that to the subsistence and independence of "this island home and fortress"—which is "all that stands between that wicked man and the domination of the world."

He may carry havoc into the Balkan States, he may tear great provinces out of Russia, he may march to the Caspian, he may march to the gates of India—all this will avail him nothing.

Hitler must destroy Britain to win; and in his path there has risen, not only the proven fortitude and the gather-

ing strength of Britain, but also a "mighty tide of sympathy, of goodwill and of effective aid" from across the Atlantic. Mr Churchill's argument and his final words were to America: "Give us the tools and we will finish the job." Such speeches are an offensive in themselves. Mr Churchill's broadcasts are more than history. They are *English* history carved out of the common experience of English people and shaped in the centuries-old idiom of English life and English letters. Mr Churchill pointed to a terrible ordeal ahead. He denied none of its peril. But he pointed past the coming conflict with "devilry" to its place in the record of English freedom.

* * *

Team Changes

The chief features of the Ministerial changes announced last week-end were the departure of Mr Malcolm MacDonald and the absence of Mr R. B. Butler from the list. At first glance, Mr MacDonald's move from the Ministry of Health to be High Commissioner in Canada hardly seemed the translation his record and youthful ability had earned. Actually, the appointment is probably a marked tribute to him. For a decade and a half the High Commissioners in the Dominions have grown in importance, for in 1926 the position of the Dominions as independent nations equal in status to the Mother Country was formally recognised, and since then, whereas their Governors-General have continued to represent the Crown there, the British Government has been represented by the High Commissioners. The significance of their functions has not always been recognised in the appointments made. It has not been the practice for the United Kingdom to follow the example of the Dominions in appointing Ministers of the Crown to be their High Commissioners. But they are obviously capable of being regarded as Britain's Ambassadors to the self-governing Commonwealth—a fact which will surely not be forgotten when the High Commissionership to South Africa, which has fallen vacant by the resignation of Sir Edward Harding, comes to be filled. In fact, Mr MacDonald's mission to Canada, which holds a key position in the British war effort and is the bridge between the Commonwealth and the United States, is directly parallel to that of Lord Halifax in Washington. The task of each is to keep two Governments in step on the common ground of a common cause; and just as Lord Halifax, who remains a member of the War Cabinet, speaks with the authority of a former Foreign Secretary, so Mr MacDonald, who is to keep his seat in the Commons, will speak with nine years' experience of the Dominions Office behind him.

*

There is not so much significance to be attached to the other new appointments—Lord Moyne to be Colonial Secretary, Mr Ernest Brown to be Minister of Health, Mr Thomas Johnston to be Secretary of State for Scotland, Major Lloyd George to be Parliamentary Secretary to the Ministry of Food, speaking for Lord Woolton in the House of Commons, and a number of other changes in junior offices. Lord Moyne's appointment is further discussed in a Note on page 211, it is an excellent conventional choice. Mr Johnston has done notable work as a Regional Commissioner. Major Lloyd George has been discharging a double duty at the Board of Trade and the Ministry of Food with vigour and distinction. Mr Ernest Brown is well known. Mr Butler, who had been tipped by the *cognoscenti* for several new offices, stays where he is. Most of the list has a routine character, and it is plain that not even a Churchill can conjure up new Churchills in his wake.

* * *

Mr Winant and Mr Willkie

The nomination of Mr J. G. Winant to be United States Ambassador in London was, after the frequent anticipations, hardly a surprise, but it is none the less welcome that America will be represented by a man who combines so many personal excellences and so many varieties of experience. He is a Republican, but an intimate friend of the President. He has been Governor

of his native State of New Hampshire, but also Director of the International Labour Office. He is a man of wealth, but an enthusiast for social security. Great Britain has been particularly happy in recent weeks in the quality of the Americans who have come here to represent their country, officially or unofficially. Mr Harry Hopkins has established the closest links with Mr Churchill, whose "constant companion" he has been. Mr Willkie has returned to Washington to give the most forceful and effective evidence in favour of the "Lend and Lease" Bill. Indeed, in one respect it would seem that he would go further than some members of the Administration, for while he suggested that five to ten destroyers a month should be sent across the Atlantic every month, Colonel Knox, Secretary of the Navy, has expressed his unwillingness to deplete the American fleet further. The Bill passed the House of Representatives by a vote of 260 to 165 at the end of last week, and the Foreign Relations Committee of the Senate is now engaged in hearing evidence—much of it the same as was given earlier to the House Committee. The Bill is expected to be law by the end of the month. Its signature will make possible the resumption of new contracts, and it is also reported that further amounts of "surplus" stores have been found and will be immediately available.

* * *

Vichy Changes Again

The Vichy Government has now undergone its eighth change in nine months. Few French Cabinets of the Third Republic can have rivalled its instability, although the men who framed this "new order" were out to secure continuity. In pre-Vichy days, it was the head of the Government who changed, while there was a marked tendency for the same men to reappear with new portfolios. Now it is the head of the Government who remains, while statesmen whirl through the Cabinet with something of the air of a Punch and Judy show. In the latest reshuffle Admiral Darlan emerges with, roughly, the function fulfilled by Laval before his dismissal. The Admiral is to be Vice-Premier, Foreign Minister, and successor to Marshal Pétain as well as Minister for Marine. Flandin fades out like a pale and embarrassed ghost. With him may go M. Peyrouton, and there is talk of the return of M. Baudouin. Such, then, is the outcome of many days' struggle to secure the return of Laval, not only to a seat in the Government, but to a position of almost absolute authority within it. Vichy's refusal to accept Laval's terms is welcome evidence that the man's pitiful subservience to his "conquerors" is too much for the stomachs of Marshal Pétain's own people. On the point of the fleet they remain adamant, and the Germans, after attempting shock tactics over the week-end with fantastic rumours of the flight of the Marshal and Admiral Darlan to North Africa, have for the moment abandoned the frontal attack and are accepting the Admiral with the proviso that he is to prepare the way for Laval's later return—whatever that may mean. The key to French resistance now lies with Admiral Darlan. Since Oran he is no friend of Britain. On the other hand, he has categorically stated that the French fleet will not be handed over. And his statement is confirmed by the German rumours. In coupling his name with that of Marshal Pétain, the Nazis admitted that he, too, was concerned to maintain the strict letter of the Armistice. In short, after a week's threats, manoeuvrings, comings and goings, Vichy remains very much where it was—and where it probably will remain just so long as British resistance continues to provide the security of North Africa.

* * *

Benghazi and After

The fall of Benghazi and the occupation of El Agheila bring the brilliant campaign of Cyrenaica to a close. In two months the Army of the Nile has smashed Graziani's invasion army, driven it from Egypt and pursued it from Bardia to Benghazi; and, with a final burst of speed and fighting power, cut off its retreat to Tripoli. The main features of the advance were its strategic brilliance, its speed and the exemplary co-

ordination between the three arms. The lessons of the spring have been learnt. They remain to be tested against a sterner enemy. The Government of Cyrenaica has been vested in Lieutenant-General Sir Maitland Wilson, who commanded the whole offensive, and, judging by Benghazi's reception of the victors, the task of keeping order and safeguarding civilians will not present any insuperable difficulty. Nevertheless the reconciliation of Arab rights and the interests of thousands of unoffending Italian colonists will present our administrators with some delicate problems. Clearly, however, the arrangements are for the time being purely provisional. Two choices seem to be open to General Wavell. He may decide that the Italian forces in Tripolitania are sufficiently demoralised to make a lightning attack across the difficult desert country of Sirte a feasible risk. The difficulties of maintenance and supply would be enormous and presumably fresh Italian troops would wait on the other side. It is therefore possible that the Commander-in-Chief will prefer to prepare in greater leisure for the conquest of Tripolitania, and that in the meantime he intends to concentrate his blows on Eritrea. Here his troops are massing round Keren. The terrain is difficult and Keren is protected by a steep escarpment. However, British guns are already shelling the town and it is possible that the forces advancing from Karara and Mersa Taclai in the north will arrive in time to take Keren in the rear. Farther south, the advance towards Gondar continues, and although it is hampered by extensive minefields it is speedy enough to suggest that Italian resistance in Abyssinia is weakening. Signs of collapse here bring up the disturbing question of the fate of Italian non-combatants. There are 200,000 of these, and, in Addis Ababa alone, 8,000 children. The Abyssinian warriors have long scores to pay off, and the Italians would not scruple to lay them to Britain's door if practically unavoidable massacres were to occur. Count Volpi is said to have visited Vichy with a view to securing French mediation in a proposal to evacuate the Italian civilians with British assistance. It is to be hoped that the British Government will not miss an opportunity, not only for humanitarian work, but for a masterly stroke of propaganda.

* * *

Caudillo and Duce

The purpose behind General Franco's journey to Italy, at Mussolini's "express invitation," is the subject of the most varied speculation; every conceivable reason has been discussed, from a peace offer to Britain to safe conduct for the Italian troops in Tripolitania through French and Spanish North Africa. But Britain has officially denied the rumoured peace offer and the publicity given to the meeting in Germany must surely rule out the possibility, unless a "peace offensive" with Hitler's blessing is to be launched. Italy's collapse in the Mediterranean is so complete and will entail so serious a diversion of German resources if it is to be made good that, just conceivably, Hitler may be considering a new diplomatic offensive to take the Mediterranean right out of the war while the perilous business of invasion is undecided. The talks in Italy are to be followed by a meeting between the Caudillo and Marshal Pétain. If the three Latin Powers can agree upon a settlement in North Africa, it might be used as a preliminary to a larger settlement with Britain. But obviously Britain will not abandon the fight just when she has succeeded in forcing another front on Hitler. The most likely explanation is that Mussolini is appealing to Spanish honour and Spanish gratitude for help. If so, the moment is singularly ill-chosen. Whatever the Caudillo owes to Italy, he owes more to his own people and the bombardment of Genoa has come as a timely reminder that the guns which were trained on Genoa could find their mark in other no less vulnerable harbours.

* * *

Air Ministers

The British Broadcasting Corporation is to have two new "advisers"—one for foreign policy and the other for home policy, both officials of the Ministry of Information. What the appointments imply is not clear. Broadly, the censorship of British broadcasting, like the censorship of the Press, is still voluntary. The pub-

lication of news is, of course, strictly controlled in the national interest; the actual handling of news items is subject to "directives" or advice from Government departments; while the views expressed in talks and comments are normally submitted for Ministerial "vetting." In the nature of the case, since the British Broadcasting Corporation holds a monopoly in its own crucially important field, the control exercised—and willingly accepted—is tighter than with the newspapers. The B.B.C. has resisted attempts to make it no more than a mouthpiece, and by maintaining at least the appearance of independence in its choice of speakers and topics, it has done a distinct service. The result has been a compromise. The fact remains that wireless utterances have necessarily a greater *ex cathedra* character than newspaper articles, and it is noticeable that the very critics who have opposed any suggestion that the Corporation should become an official parrot have also called for pressure by the Government to compel the B.B.C. to alter its ways—chiefly in the field of overseas propaganda, but partly also in its handling and balance of home news. In general, the desire of critics is for the B.B.C. to be "free" to go what they consider to be the "right" way; and, at bottom, it is largely a question of efficiency. If the function of the new advisers is to secure the skill and effectiveness in propaganda abroad and publicity at home that, by contrast with the best Press standards, is still lacking on the wireless, they will do a job which at present, by the piecemeal and sometimes niggling oversight of Ministry of Information officials and the war Ministries, is not being done. It is, however, hard to see how this could be done without some radical alteration in the staffing of Broadcasting House, which is astonishingly lacking in people fitted by training and experience to exercise "editorial" control in the true sense over the work they have to supervise. If, on the other hand, the intention is simply to make the B.B.C. a branch of the Ministry of Information by a back door, then the move is regrettable: firstly, because M.O.I. has shown no superiority over the Corporation in its handling of war news and comment; and, secondly, because, if it has

THE NEW YORK TRUST COMPANY

Capital Funds . . \$37,500,000



BANKING
AND
FIDUCIARY
SERVICES

100 BROADWAY

CABLE ADDRESS
NYTRUSTCO

MEMBER OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

been decided that broadcasting must, in the last resort, be a mouthpiece for the Government in wartime—a tenable proposition—then the best way to make the change is openly—accepting the consequences.

* * *

Fire Bomb Fighters

A tour of the City of London or of the centre of Southampton might suggest that Mr Morrison's new fire-watching and fire-fighting plans represent the usual belated locking of the stable door, for it is very unlikely that, with proper precautions, such destruction could be done again by fire-bombs. Unfortunately, however, it appears that the lock is still being haltingly and clumsily put on. In design, it is an excellent, stout lock—especially when it is considered that, from all appearances, there was no design at all six weeks ago when the bad fire raids happened, and the plans had to be hurriedly devised after it had been announced that they were due. First of all, there are three defence regulations: one giving power to conscript persons aged 16 to 60 for civil defence duties; another giving power to require occupiers of business premises to make adequate arrangements against fire—and workers there to take turns of duty; and a third giving power to require local authorities to make arrangements for all premises in their area other than business premises. Then there are two Orders: one, the Fire Prevention (Business Premises) Order obliging occupiers of business premises to make individual or joint arrangements; and another, the Civil Defence Duties (Compulsory Enrolment) Order, enabling local authorities to register and enrol men of prescribed ages if the number of volunteers in their area is insufficient. In addition—and very important, because the definition of what exactly constitutes adequate arrangements for fire-watching is the kernel of the whole scheme—instructions have been put out by the Ministry of Home Security giving, not only details about equipment and compensation, but also guidance about the number of watchers required for watching and spotting in areas of a specified size—two to cover a street of 150 yards (or an area with a radius of 200 yards if they can mount a roof 20 feet above the other roofs around), with three for each stirrup pump party. This looks, and indeed is, very comprehensive. The question is: how is it being applied? Sample inquiries suggest that the answer is not yet very encouraging—much less encouraging, at any rate, than might be inferred from the enthusiastic Press accounts of fire-fighters leaping in half-dozens upon single incendiaries.

* * *

"Ca' Canny"

When Mr Morrison announced a fire-watching scheme on New Year's Day, he was the first Minister to threaten compulsion for civilian duties. But the dominant theme of the work that has been done since has been a desperate insistence on voluntary effort until it is absolutely proved insufficient—presumably by further successful fire-raids. The Fire Prevention (Business Premises) Order has been applied to most vulnerable areas. The Compulsory Enrolment Order has not been applied at all; the trouble, in fact, is with streets and houses. In London, it is reported that an appreciable large number of firms have been unable to collect sufficient volunteers—even though the Fire Prevention Order lays a duty upon men working on business premises to take turns of duty; in several districts there are streets which have failed to produce sufficient volunteers to patrol; and a heavy burden is inevitably being laid on the thousands of public-spirited people who have come forward. Nor is the worst fault that of reluctant employees or residents. In very many areas the situation is satisfactory; but, where any lack of personnel does exist, the local authorities surely have the solution for it in their own hands; if they do not compel service at once they can at least make it plain to every individual that the obligation to serve is inescapable. Actually, too many authorities have not even made it plain what the obligation or the character of the duties is. In some places, voluntary enlistment has already failed; in more it has not even been properly tried. The excuse is that the "voluntary method" is being "fully explored"

first. As a result, not only is the stable door still open; there may also be a Trojan horse inside, an animal of our own making.

* * *

Shelter Policy

There are signs and statistics that shelter conditions have improved considerably in recent weeks. In the whole of the London region, shelter accommodation has now been provided for 80 per cent. of the population, of which 19 per cent. were provided for by public shelters and 61 per cent. by domestic shelters. On the other hand, a census of shelter-users taken on the first Sunday night in January, a raidless night, revealed only 4 per cent. of the population in public shelters and 14 per cent. in domestic ones, compared with 5 per cent. and 19 per cent. respectively a month earlier. In 149 out of the 154 shelters that accommodate 500 persons or more, medical aid posts have been established; 65 other shelters are being given similar posts in groups; while in seven very large shelters there are whole-time doctors. There are now bunks for 462,000 persons, and the number of canteens, excluding those in the Tubes, is 1,980. It is expected that, by the end of this month, all the 80 Tube shelters will be fitted with improved sanitation and bunks. These statistics are most encouraging, and show that a real and successful attempt has been made to make the public shelters tolerably habitable. But the Government has very wisely not surrendered its principle that dispersal is the better part of sheltering. This week Mr Morrison announced that a new indoor shelter has been designed and will be given to all homes up to an income limit of £350 a year. This will presumably supplant the Anderson, for which the income limit was £250, and will be much more satisfactory, since for homes without gardens an Anderson was useless—and in any case it was extremely difficult to keep dry. To begin with, the new shelter will only be distributed in priority areas, based on presumed vulnerability, but it is to be hoped that, in these areas, every effort will be made to persuade the recipients to use them, thereby relieving the congestion in the public shelters.

* * *

An Unreal Vote

The South African Parliament is still out of line with the movement of public opinion in the Union. A vote of no confidence in General Smuts at the week-end was only defeated by 78 votes to 59, a majority of 19 for the Government compared with majorities on similar votes of 13 in September, 1939, 22 in January, 1940, and 17 last August. Yet the situation has changed enormously in these eighteen months of war. The first peace and neutrality motions of General Hertzog were based on the argument that the Union was being forced into "England's war"—which was amply disproved by popular support for the war effort and the results of by-elections. In the debate of last August, in which Dr Malan rather than General Hertzog was the Opposition's most convincing figure, the argument was that Britain was already beaten; and that contention has since gone the same discredited way as its predecessor, well aided by the successes of South African arms. The Opposition to General Smuts still musters nearly sixty votes, but it has no leg to stand on. What is more, it is torn by dissension. The chief feature of the latest debate was the virulence with which the supporters of Dr Malan, who moved the motion, were criticised by the followers of General Hertzog, who has now retired, for their narrow racial outlook; and even among the Malanites the gulf between the calculating Republicanism of their leader and the blood-and-soil blindness of the extremists—whose actual leader is rather Dr Van Rensburg—was very evident. The Opposition vote was a hotch-potch—ranging from the Hertzogites' formal plea for neutrality, through the "anti-Imperialist" sentiments of the new "Afrikaner" party and Malanite separatism, to the active disloyalty of the Ox-wagon group. In the Union Parliament, there is an overwhelming majority for co-operation between Afrikaner and British, just as there is an overwhelming majority for the war among the South African people.

Politicians at Play

Indian politics continue to be surprisingly unreal. Congress, in the main strongly anti-Nazi, opposes the war vocally and demands a National Government at once and immediate independence for India. Mr Jinnah of the Moslem League has restated his demand for Indian independence, which includes a scheme for partition to set up a separate "Pakistan" consisting of Moslem States. The Christmas meeting of the Hindu Mahasabha put out a call for support for the war, but demanded a definite date for Dominion Status—not later than one year after the end of the war; while the conference of the Liberal Federation put the time limit for Dominion Status at two years after the war. Thus the demand for further self-government in the near future is common to all groups; and every section but Congress supports the war. But by self-government very different things are meant. To Congress it means the Congress rule. To the Moslem League it means the government of Moslems by Moslems. To the Mahasabha and the Liberals it means representative government on a broader basis—and the partition plans of the League are anathema. Mr. Gandhi has committed Congress to the anti-war campaign which has so far resulted in the imprisonment of many of the best brains and characters in India. But, although his stand is ostensibly the moral ground of pacifism, the Mahatma has now implicitly admitted the political character of his programme by stating that "We are resisting an authority that is itself struggling in a fight for life against a stubborn foe—our struggle must be coterminous at least with the European"—though reports that he may still be a little unsure of his ground. The Mahasabha, too, has threatened direct action if its constitutional demands are not satisfied. In detail, then, the politicians are presenting, with no will to compromise or even discussion, demands, in no way compatible, for constitutional changes which, in any case, are impracticable now while the war is on. As a result, the public is becoming less and less interested in what appears to be no more than a series of interested and opportunist manoeuvres. This is the chief feature at the moment. Indian troops are now in the front line, and the war effort in India is perceptibly growing. Congress membership is markedly falling off; and it is probable that the attitude of most unsectarian Indians is best reflected by the demand of the Liberals and of the moderates of all the communal factions for a broader and more national Central Government now and for Dominion Status at a specified date later on. The jockeying of the political groups may be largely irrelevant, but it would be a great mistake for the British authorities to allow the fact that the politicians cancel each other out to obscure the general wish for greater control by Indians over Indian affairs.

* * *

Lines of Communication

The first lesson of modern warfare is that power to produce counts more than manpower. The second, which has hardly yet been learned, is that power to transport may count most of all. The British blockade of German Europe will only be a decisive factor if transport difficulties, intensified by bombing, reduce the enemy's scarce supplies in his vast territories below what Mr. Dalton has called the "distributional minimum." Just as Hitler's greatest weakness is the distances over which his men, materials and machines have to be transported, so does his highest hope reside in the thousands of sea-miles across which the necessities of life and the sinews of war have to travel to Britain. Invasion is only the third and most speculative prong in the German offensive; at sea, in the ports and inland, transport is the target of a double assault by submarines and air-craft; and the Achilles heel in Britain's defences is not so much the vulnerability of transport to these attacks as its ill-organisation. In the spring, the ability to move and distribute goods through the ports and overland will be the key to the battle. If the final coup of invasion is attempted, its success or failure will depend, not merely on fire power in the air, at sea or on land, but on the mobility of war goods and essential supplies no less than of fighting men. A bulletin of the Vigilance-for-Victory Group* makes three points: first, that the in-

* "The Organisation of Transport for War." Bulletin 5 of the Vigilance-for-Victory Group. 10 Hertford Street, London, W.1.

ability of existing transport facilities, even under non-Blitz and pre-invasion conditions, to clear the ports and distribute supplies when and where they are needed is due to lack of ways, not lack of means; secondly, that this absence of efficiency is due to the fact that, whereas the demand for transport is organised and concentrated in the war Ministries, the supply of transport, apart from shipping, is not organised at all; and, thirdly, that a prime cause of the absence of organisation is the persistent assessment of transport operations by their financial results and not by their service to national requirements. This is familiar ground. The suggestion that the problem of moving traffic through the ports should be solved as it was in 1916-18 in the overburdened ports of France, when all forms of transport were amalgamated under a Director-General and armies of millions were supplied under fire, goes to the heart of the matter. Britain is in the front line now. Recent port delays and the chronic breakdown of coal transport only foreshadow how the German invasion of Britain might be favoured, or the British invasion of Europe frustrated, by a system in which, apart from petrol rationing and war demand, transport—as usual—limited by commercial considerations and working in watertight compartments, is the rule. The work of the pool of refrigerated road motor vehicles under the auspices of the Wholesale Meat Transport Association—often criticised for its quasi-monopolistic position—can be cited as an example of the efficiency—and cheapness—of new communal methods; and now the Ministry of Transport itself is to operate hired lorries in a single pool. Only when the entire transport capacity of the country—rail, road and canal—is pooled under a single direction and used as nationally required, regardless of financial or other considerations, will the country be really ready, first, to repel the invader, then to plot his defeat.

* * *

Trinidad's Constitution

The appointment of Lord Moyne as Secretary of State for the Colonies is welcome, for he is associated with the new colonial system, announced a year ago, when it was decided to establish a Colonial Development and Welfare Fund. The recognition that colonies ought to be given economic help from Great Britain sprang directly from the report and recommendations of the West India Royal Commission, of which Lord Moyne was chairman. Unfortunately, the course of the war has meant that the new system was stillborn, or at least has been considerably dwarfed. But there has been some attempt to implement the Commission's recommendations on the constitutions of the West Indies. Discussions are at present taking place with the Governor of Jamaica on a new constitution for Jamaica, and Trinidad received a new constitution last December. The latter does not appear, however, to fulfil the recommendations of Lord Moyne's Commission, except in the

Exports & Imports

While the war has increased the already vital need for exports and imports, it has, at the same time, necessitated the introduction of numerous regulations and restrictions which add considerably to the trader's difficulties.

The Westminster Bank maintains specialized departments where its customers may obtain expert advice and assistance in dealing with such problems as arise, and it strongly advises those who are exporting or importing to consult it as soon as their intentions are known. Information is also available regarding Documentary Credits—so necessary to the financing of war-time trade.

Further particulars may be obtained from the Manager of any branch or from

WESTMINSTER BANK
LIMITED

Foreign Branch Office: 41 Lothbury, London, E.C.2

reduction in the number of official members of the Legislative Council to three—excluding the Governor. There is to be no provision for filling the resulting vacancies by nominated members representing all sections of the community. The number of nominated members will remain at 6, and though the number of elected members will be raised from 7 to 9—half the total of the new Council—no attempt is being made to reduce the high qualifications necessary for election. At present, an elected member must, among other things, possess, in his own right, real estate of the minimum value of £2,500, or a clear annual income of over £400. Moreover, though the qualifications for voters are more liberal, they are still high enough and narrow enough to exclude all but 6.5 per cent. of the population from voting. It is not quite clear whether the new Franchise Committee which is to be set up to consider the possibility of extending the franchise is completely in accordance with the recommendation of some members of the Commission that local committees for this purpose should be established. Nor is it clear whether in increasing the membership of the Executive Council, which is still to have the initiative for formulating policy, from 7 to 8, the opportunity will be taken for carrying out the recommendation that all important sections and interests of the community should be adequately represented on it. But what is quite clear is that so long as only the rich—by Trinidad standards—can be elected to the Legislative Council, the new Constitution marks no progress at all, and any extension of the franchise will be useless. It would surely be better to have an autocracy, with all authority in the hands of the Governor, subject, of course, to the control of Whitehall, than a plutocracy such as this.

* * *

New England

Mr Keynes recently remarked that war damage to buildings ought not to be viewed altogether with dismay. "Damage of this kind (he said) is up to a point an opportunity. It is only when it gets beyond a certain point that it becomes a disaster." This dictum can, of course, be read in conjunction with Mr Keynes's suggestion that the compulsory savings he advocates—or used to advocate—should be released at the onset of the first post-war slump; and it is obvious that, rightly timed and executed, rebuilding might be of the greatest help when work is most wanted. But it is, in any case, only when what Mr Keynes called the "humbug of finance" is allowed to cloud clear vision that the burden appears insupportable; "it is a question of materials and manpower"—not of money. What is more, rebuilding may in itself be an economy—in every sense, including the financial one. For instance, according to one calculation, damage to property and health caused by the "smoke nuisance" costs this country £80 millions a year, and if in the course of reconstruction the curse of air pollution could be abated some part of this sum could be saved. This is one of several points

made in an interesting study recently made for the Geneva Research Centre.* The task of reviewing the whole question of urban and rural housing was first considered by the Housing Commission of the League's Health Organisation before the war, embracing such topics as hygiene, environment, living space, noise, light, water supply, sewage and garbage disposal, as well as air pollution. The idea was to arrive at some sort of standard, to be modified by local or national variations in different countries; and at the outbreak of the war these plans for an "International House" were almost completed. It is an English rather than an International House that our rebuilders will want; but the possibility of the effective and economical standardisation in building, serving social and hygienic as well as architectural needs, deserves the most careful attention from future Wrens. There is no reason why English houses should invariably be either costly or tawdry, mansions or shacks, both alike uncomfortable.

* "Post-War Housing Problems." By O. E. W. Olsen, M.D. Geneva Studies, 14 Avenue de France, Geneva, Switzerland. 69 pages, 1.75 Swiss francs.

Shorter Notes

A scheme for commodity insurance, such as has been in force in Great Britain since the beginning of the war, is now in operation in Kenya and Uganda, and is being considered for other parts of the colonial empire which are liable to attack. The schemes will be administered by the dependencies themselves, but legislation will be introduced empowering the Treasury to guarantee them.

*

In December detention orders under Regulation 18B were made against 14 persons, of which one was a non-enemy alien and the others British subjects. Six of the British subjects were of enemy origin and one was of non-enemy alien origin. In 155 cases effect was given to recommendations of the advisory committee that the persons concerned should be released, and in 18 cases the Home Secretary decided not to act upon the recommendations. The number of persons detained under the regulation at the end of the year was 1,089.

*

Paid volunteers for whole-time duty in the civil defence services are to receive a flat-rate addition of 5s. a week for men, 3s. 6d. for women, and 1s. 6d. for youths.

*

In the last two months of 1940, road accidents in which military vehicles have been damaged occurred at the rate of 300 a day.

Letter to the Editor

The Finance of a Newspaper

TO THE EDITOR OF THE ECONOMIST

SIR,—May I make a small correction in your otherwise very objective note on the highly controversial case of the *Daily Worker*? I ask space to do so because this particular point is one that is of interest to everyone who is concerned with the finances of the Press—especially to those who studied carefully the admirable survey published by PEP before the war.

You say: "It appears that financial stringency might have forced the little-read *Daily Worker* to go out of business very soon in any case." This is a misconception. A glance at the files of the *Daily Worker* will show that throughout the last couple of years the amount requested from readers for the "Fighting Fund" was steadily rising—until it reached, in the last three months, following the founding of the Scottish edition, the sum of £4,000. This "Fighting Fund" took the place in the *Daily Worker* finances of the advertising which in other papers fills the gap between the cost of production and the sales price of the newspaper concerned.

It is true that, having raised the "Fighting Fund" by very large leaps and bounds—and almost invariably secured the required amount—and having on this basis enlarged its circulation by launching a Scottish edition, despite all the difficulties of the wartime situation, the *Daily Worker* was urgently appealing for realisation by its readers of the really essential need for this sum to be raised. Hitherto, all such appeals were in fact generously answered by the readers, and there is no good reason to suppose that the appeal would this month have failed to meet with that same response.

It is, therefore, a complete misapprehension to suppose that, because the *Daily Worker* was asking for much more money per month this year than it was asking for the year before, it was therefore in danger of financial collapse. On the contrary—the fact that more money was required, and was being steadily got, was itself a sign of the increasing circulation and support won by this newspaper in the year before the ban was imposed.

Yours faithfully,

WILLIAM RUST,

For *Daily Worker* Editorial Board.

London, E.C.1.

THE WORLD OVERSEAS

Headway in America

(From Our Washington Correspondent)

January 15th.

THE American ship of state is now moving out of the doldrums; since the New Year real headway has been gained.

The first impetus was given by the speech of Mr Knudsen, Defence Commissioner, before the National Association of Manufacturers on December 13th, when with characteristic bluntness he specified some of the current lags of production behind the quantities forecast last July—among them a lag in plane production of 30 per cent.—and affirmed that: "The defence job to my mind has not been sufficiently sold to industry and labour as yet. The public generally is sold on defence. . . . But have the two most important elements, industry and labour, been fully sold on the serious side of the job? . . . The European war is gradually taking in more and more territory and most of us hope that we will have the time necessary to get prepared for defence and thus avert attack. . . . So I think that the best and the only thing the United States can do and must do . . . is to prepare swiftly and well to protect ourselves—for by doing that I feel that we have the only insurance policy against attack. . . ."

The period between Mr Knudsen's statement and the President's Sunday-night speech of December 29th was one of intense activity on the part of private citizens. Radio round tables, conducted before audiences who participated to the limit of the chairman's patience, took the issues vociferously to the country. Telegrams and mail poured into the White House. Statements of conviction and open letters to the President and the incoming Congress, some of them regional, others nationwide in the roster of their signatures, were made public and subsequently attracted further adherents.

One widely-published letter said in part: "Many Americans understand the irreconcilable nature of the forces that are engaged on three continents and on many oceans. Many understand the dark consequences to us, to freedom and to democracy here, to the foundations of American institutions, should the Axis Powers gain the supremacy of the seas. But many, far too many, do not understand. A few do not want to understand. . . . We ask you to inform us, clearly and boldly, of the possibilities of English failure and of the consequences to us and to our children's children should Britain fall. We ask you to tell us what we believe to be the truth, that the materials of war and the military and naval and air strength we now have and the implements we can now produce are enough to make certain the defeat of the Axis Powers, so long as Britain is on her feet and fighting. . . ."

But not all of the communications made public during this period followed this line. On Christmas Day, in fifty newspapers across the country, full-page advertisements announced the formation of the No Foreign Wars Committee. This committee, a more or less one-man show by Mr Verne Marshall, an Iowa publisher, has aims running roughly parallel to the America First Committee; its initial announcement said: "The best Christmas gift for your family would be a safe and sane America! The best protection you possibly can give your children on this tense Christmas Day of 1940 would be complete independence and freedom from the perils of international political intrigue against the peace and security of their country and yours."

"We are giving away our national substance, exactly as we gave it away in 1917-1918. And to what purpose?" The use of newspaper advertising space to offer ideas, rather than goods, to the public is a new development of the past eight months. The half or full page advertisements which have appeared in the *New York Times*

and elsewhere since last June are strictly comparable to the pamphlets which helped to crystallise opinion in the months just before the American Revolution.

The President's December 29th speech was a milestone that showed where we are. Editorial and popular reaction to it and to his address before Congress a few days later indicated how eagerly the public had been awaiting a specification of ends.

Ironically enough, almost as soon as a statement of aims had at long last been made under Government auspices, difficulties developed in the private groups that had been working on both sides of the issue. Questions have been raised regarding the backing of the No Foreign Wars Committee. The international oil operator, William R. Davis, is scheduled to testify before a Congressional Committee; Mr Armstrong, the committee's chief organiser, has resigned; Colonel Lindbergh has withdrawn from an engagement to speak under the committee's auspices in St. Louis.

Upheavals have also taken place in the Committee to Defend America by Aiding the Allies. The prestige of the committee suffered somewhat in December, when a group of advertising men gave a banquet in honour of the chairman, William Allen White, at which he intimated that his committee was proficient in the tricks of their particular trade. Then early in January Mr White wrote a letter to Mr Roy W. Howard, head of the Scripps Howard newspaper chain, in which, in the course of disclaiming any intention of his committee to lead the country in the direction of war, he suggested that a good motto might be "The Yanks are not coming."

This letter was warmly commended by General Wood of the America First Committee and by Colonel Lindbergh. To many members of the Committee to Defend America, however, it made negative reading. In the course of a reorganisation, Mr White became honorary chairman, and executive responsibility was jointly assumed by Ernest W. Gibson, lawyer and former Senator from Vermont, and Lewis W. Douglas, former Director of the Budget.

Impetus to Production

The President's speeches have been followed by action. For some months it has been clear that a more centralised and authoritative structure was required to direct the defence effort. The seven commissioners appointed last May were merely advisers to the Council of National Defence, a Cabinet committee composed of the Secretaries of War, Navy, Interior, Agriculture, Commerce and Labour authorised during the last war. The Commission was without a chairman and without powers other than those of persuasion. This loose structure is now superseded by the Office of Production Management, of which Mr Knudsen, formerly Commissioner in charge of production, is Director-General, Mr Sidney Hillman, formerly Commissioner in charge of labour, Associate Director-General, and the Secretaries of War and Navy, members. Under an executive order of January 7th, this office has power, in addition to its former duties of planning, analysis and advice, to "formulate and execute in the public interest all measures needful and appropriate in order (1) to increase, accelerate and regulate the production and supply of materials, articles and equipment and the provision of emergency plant facilities and services required for the national defence, and (2) to insure effective co-ordination of those activities of the several departments, corporations and other agencies of the Government which are directly concerned therewith."

Included in the structure of the O.P.M. is a Priorities Board and a Division of Priorities. Whereas some months

ago, the country was assuming that the defence programme would not interfere with civilian consumption, the need not only for priorities among defence industries, but also for certain adjustments between requirements for armaments and requirements for durable consumers' goods is now recognised.

The crest of the wave has now moved from the stage of letting contracts to the stage of getting performance. The search for unused capacity which can be brought into production faster than new plants can be built has led to the development of a "bits and pieces" programme inside the Defence Commission; from the outside has come the Reuther plan, a proposal for using automobile facilities to make aircraft, advanced by the United Auto Workers Union of the C.I.O.

Meanwhile, future disposition of the armaments now being produced is before Congress in the "Lend-Lease" Bill which authorises the President: "When he deems it in the interest of national defence to authorise the Secretary of War, the Secretary of the Navy or the head of any other department or agency of the Government: to manufacture in arsenals, factories and shipyards under their jurisdiction, or otherwise procure, any defence article for the Government of any country whose defence the President deems vital to the defence of the United States."

Ulster's Linen Industry

[FROM OUR BELFAST CORRESPONDENT]

January 25th.

ONE of the last acts of Lord Craigavon as Prime Minister was to arrange for the appointment of a Select Committee on unemployment drawn from all parties in the House of Commons. The Committee recently presented its first interim report dealing with unemployment in the linen industry. This trade, upon which a large part of the industrial population depends, has been handicapped by shortage of raw material, and unemployment is about 37,000. The Committee places the flax requirements of the trade at 45,000 tons a year. Immediately before the war, only 21,000 acres of flax were grown, yielding about four or five thousand tons of fibre, and the industry drew its main supplies of raw material from the Baltic, Holland and Belgium—sources of supply which have disappeared. Some 46,000 acres were grown with flax in 1940, and strenuous efforts are being made to obtain 100,000 acres in 1941. Questions of quality in flax also arise. Irish flax in the past has been pond retted by the farmer and the seed has been lost. A good quality fibre has been obtained in this way, although inferior to the Courtrai product. In 1940 some 8,000 acres were harvested as green straw. There is little doubt that a more rapid expansion of acreage could be obtained in this way, as the farmers are relieved of the dirty and disagreeable task of retting the flax and the difficulty of disposing of the flax water. In the main, unretted flax is only suitable for the coarser branches of the trade, and experiments are proceeding in regard to the setting up of central tank retteries, where retting will take place as an industrial process. The Unemployment Committee has recommended Government expenditure in the erection of flax pro-

cessing plants, covering all stages in the treatment of flax—the saving of the seed, retting, whether in tanks or by chemical treatment, and scutching.

It is expected that the Government will, as far as practicable, agree to carry out the recommendations of the Committee. Any benefit to the linen industry from an increase in the home-produced supplies of flax will, however, not arise until after the harvest of this year and the subsequent treatment of the crop. Meanwhile, efforts are being made to secure additional Government orders in the making up of cotton goods, for the December unemployment figures again showed nearly 70,000 persons out of work—about one-tenth of the number in Great Britain, although the population of Northern Ireland is only one thirty-sixth of that of Great Britain. Some modification of the Board of Trade Limitation of Supplies Orders has also been suggested, since it is clear that labour displaced by these Orders in Northern Ireland is not absorbed into war work, as in Great Britain.

The unemployment position would, in fact, have been materially worse if 16,000 workers had not been placed in factories across the Irish Channel, but the difficulties in the way of the movement of labour from Ulster to Great Britain are even greater than in the case of similar movements in the latter country.

Congo in the Sterling Bloc

[BY A CORRESPONDENT]

February 1st.

THE invasion of Belgium completely upset the economic position of the Belgian Congo, which formerly exported most of its agricultural and industrial raw materials to the mother country. More than 80 per cent. of its total export used to go to Belgium; in 1938 the total of Congolese exports amounted to Frs.1,897,153,811, of which Belgium took Frs.1,587,478,000. It has obviously been necessary to find some remedy against the danger of economic strangulation which Congo had been facing. On the other hand, Congo produces some of the most essential war commodities, such as copper, palm-oil, gold and so on, for which there should be no lack of demand. The Anglo-Belgian Trade Agreement signed in London on January 21st came therefore as a most natural step.

The Trade Agreement consists of two parts: the Purchase and the Financial Agreements. Under the Purchase Agreement the British Government guarantees the purchase by the United Kingdom (from September 1, 1940, until August 31, 1941) of the following goods produced in Congo:

Copper	126,000 metric tons.
Palm-oil	All supplies available for export.
Cotton	20,000 long tons.
Palm-kernels	15,000 "
Groundnuts	2,500 "
Copal	7,000 "

These are minima only. Bigger purchases may be made with an increase in output and in available shipping space. The quota of copper fixed in the agreement is slightly above the total Congolese output in pre-war years, but the Union Minière du Haut Katanga, which owns the copper mines, is able to increase the output. It should be recalled that Congo produces more than 8 per cent. of the world's copper. The production of palm-oil amounted to 70,256 metric tons in 1938 (14 per cent. of world's production); what additional supplies may be available is not yet known. In cotton and gum-copal, British purchases will absorb about a half of Congo's output. High quality tin ore is being supplied to this country under a previous agreement still in force, and possibilities of sugar supplies will be considered in March. These figures become more eloquent if they are compared with the very low figure of British imports from Congo previously.

To give the Congo an additional feeling of security and stability, the agreement provides that in case it proves impossible to ship the agreed quantities the British Government "shall pay for and take title to any unshipped balance, where it will lie in the Congo. . . ."

The immediate benefits of the agreement to the Congo

producers need no further elaboration. Important as they are, the broader significance of the treaty lies in its being a conscious and broadminded effort towards the full utilisation of the colonial resources of the invaded European countries for the common war against Nazi domination. The spirit of this wide community of interests and resources is most clearly reflected in the Financial Agreement, which brings in Congo as a member of the sterling bloc and adjusts her currency regulations to the requirements of the British blockade.

The agreement fixes the rate of exchange of the Congolese franc at 176.625 fr. to £1. No change in the official rate may be made except by a prior decision of the two contracting Governments. Under Article 7 of the agreement, the monetary authorities of Congo are obliged to offer to the Bank of England, and the Bank of England to buy, their whole surplus gold production deposited with the Reserve Bank of South Africa. (The gold-price has been fixed at 168s. per fine ounce, and the value of the Congolese gold production amounts to £4,000,000 per annum.) The same obligation applies also to the surplus of foreign currency, which may be in the possession of the Banque de Congo Belge.

Other arrangements provide for the control of imports into Congo, for the supply of Congo's requirements within the limits of the sterling area, for the way in which payments have to be made outside the sterling area and so on. The whole network of currency restrictions, so familiar to all belligerent countries, has been set up there and closely connected with the British system. The financial agreement remains valid for the duration of the war.

German propagandists in Belgium responded to the agreement with a wild outcry of "patriotic indignation." The free Belgian Government has been charged by them with "selling out the Belgian Empire to the City of London." Their anger has especially been aroused by the fact that the Congolese franc has been fixed to the £. The Germans would, of course, prefer to see the Congolese franc in the area of the currencies they are able to inflate, instead of in the sterling area. They would prefer to see the economy of the Colony in a disorganised state, instead of seeing how it is being organised against them. Hence their indignation, the motives of which are no less transparent under the guise of Belgian patriotism.

Czechoslovakia's Bad Harvest

[BY A CZECH CORRESPONDENT]

February 1st.

IT is now possible to obtain a final picture of the grain harvest in the Protectorate of Bohemia and Moravia. As this region is not very different in the meteorological sense from other Central European areas now under German domination, the Czech data are a useful guide for forming an opinion on the general situation in Central Germany.

The general survey of the harvest in 1940 is as follows:

	000 metric cwt.	
Wheat: Autumn crop	3,760	
Spring crop	1,357	
Rye: Autumn crop	3,729	
Spring crop	80	
Barley: Autumn crop	104	
Spring crop	5,214	
Oats	700	
Potatoes: Autumn crop	38,343	
Spring crop	499	
Maize	241	
Mixed Wheat and Rye: Autumn crop	443	
Spring crop	26	

The summer harvest of grain for flour is 45 per cent. lower than last year's. Its quality is bad, it is overgrown and often unusable.

The significance of the bad harvest for the food supply of the Czech population only becomes clear if we compare the result of the harvest with the total needs of the Protectorate territory for the year 1940-41, including in this food supply for the population, industrial

consumption and cattle fodder. This gives a deficit for most of the crops as follows:—

	000 metric cwt.	Deficit
Wheat	863	
Rye	420	
Barley	916*	
Oats	60	
Potatoes	2,818	
* Surplus.		

The results of this unfavourable state of affairs can be seen already. Milk production has fallen by one-third because there are no nutritive feeding stuffs. The production of milk fats has fallen by 35-45 per cent. It is estimated that the pig stock has fallen by one-third, and it will clearly fall still further in the course of the winter. There will be a complete shortage of pork fat.

The harvest in leguminous vegetables was as follows:

	Area sown (hectares)	Yield (metric cwt.)
Beans	224	2,550
Peas	4,868	62,965
Lentils	544	4,407

This year's sugar beet production amounts to 530 grammes of pure sugar per metric hundredweight, against last year's 570 grammes. Although the difference in the sugar content is not great, nevertheless, taking into account the lower weight of the roots, there is this year 8 grammes less sugar in a single beet than there was last year. But the beet is rotting in the ground, and the rot will have been intensified by falls of snow which prevent the gathering of the sugar beet in the field.

The considerable diminution in the harvest output does not, however, give a complete picture of the total food situation in Central Europe. The output of bread and flour from the mills in 1940 dropped by 40 per cent. The oats harvest has been normal, the barley has been only slightly damaged. In Southern Bohemia the potatoes have been affected by canker, which is widespread in Moravia also. It is even more destructive than potato blight, and was brought into Bohemia and Moravia from the Reich, where it is said to be raging worse than in the Czech lands. Potato blight, however, is also of frequent occurrence this year, so that we may reckon with the rotting of the harvested potatoes, and this will be helped by their large water content this harvest.

Altogether, the potato harvest in the Protectorate is only a little less than it was last year; this may be attributed to the fact that after the frozen winter crops the fields were ploughed up and planted with potatoes. There will not be enough early potatoes for this year's sowing, because they have been already eaten.

The prospects for this year's harvest are not very good, because the supplies of phosphate may be used only for military purposes, and there is a shortage of phosphorous manure. It is forbidden to manufacture superphosphates.

The results of the shortage of foodstuffs were shown already last summer. According to official statistics which have just been published, the commodity index rose between March, 1939, and July, 1940, in the case of the families of officials by 27 per cent., in working-class families by 31 per cent., and it continued to rise rapidly while wages are falling. The report adds, as an example, that a goose (a very favourite dish in Czech middle-class families) weighing about 17 lb. costs 960 Kc. in Prague. Before the occupation of Czechoslovakia by the Germans a goose of the same weight cost 90-100 Kc.

THE COMMERCIAL BANK OF SCOTLAND LIMITED

Incorporated by Royal Charter and Act of Parliament

PAID-UP CAPITAL - - - £2,250,000
RESERVE FUND - - - £3,150,000

ESTABLISHED 1810

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.

(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).
COMMITTEE: F. R. S. Balfour, Esq., Sir Hardman Lever, Bart., K.C.B.,
Sir Frederick Williams-Taylor.

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

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

THE BUSINESS WORLD

Munition Contracts

SPEED in the expansion of production and economy in the use of labour and raw materials: these are the twin targets on the economic front. It is difficult enough to hit either one of them; and it is more difficult to hit them both simultaneously. In peace-time, competition and the urge to increase profits keep industry's aim straight; but in war-time, competition is being increasingly hampered by the growing scarcity of resources, while the profit motive has been profoundly modified by the imposition of the 100 per cent. excess profits tax. Simultaneously, the Government has replaced the civilian as industry's leading customer; it is already spending some 60 per cent. of the national income, against one-fifth in times of peace; and its demands are for guns instead of for butter. It is now for the Government to provide the conditions that will focus industry's aim at the war targets. One of the most important of these conditions is the procedure adopted by the Government in the purchase of munitions. Careful ascertainment of costs of production must take the place of competition, while in its choice of contracts with industry for supplies the Government must take care neither to stifle initiative nor to encourage extravagance or delay.

This aspect of war economics has received the attention of the Select Committee on National Expenditure in a lucid and forceful report—the fourth of the 1940-41 session—published last week.

As past experience in this and other countries has shown, there is scarcely a more thorny problem for Government departments than the ascertainment of costs in private industry. There is first of all the need for uniformity in practice. The tabulation of direct costs—labour and materials—may seem easy enough, but the distribution of indirect or general costs—for management, office staff, maintenance of plant, depreciation—over the individual units of output is the bugbear of every cost accountant, and their treatment has not yet yielded to uniform practice within each industry. The problem becomes even more vexed in the case of firms—and there are many—supplying a multitude of products to both the Government and civilians. But Government establishments, such as the Ordnance Factories and Royal Dockyards, which are not subjected to the test of the market in peace-time, have long had satisfactory systems of cost ascertainment. And in the United States considerable progress has been made since the last war by trade associations with the introduction of uniform methods for the members of individual industries. That the problem is not as intractable as might be supposed—even when time is scarce—has also been demonstrated by the Internal Combustion Engine Manufacturers' Association, which recently reached an agreement with the costing departments of the three Services concerning the method of ascertaining costs to be employed in contracts for the supply of engines. Indeed, there is no reason why uniformity in practice should not be adopted by the principal industries.

Secondly, there is the need for more frequent and earlier cost ascertainment by the supply departments of the Services; this would be greatly facilitated by the adoption of uniform methods by individual industries. In particular, the practice of estimating costs in advance should be extended as far and as rapidly as possible in order to secure the data for contracts. True, to estimate costs in advance with any degree of accuracy is quite impossible in the case of firms hitherto engaged on the production of civilian goods. Where no basis for a prior estimate of costs exists, however, they should be ascertained immediately after production. The same difficulty and solution apply to new types of product

that may have to be produced in small quantities before they can be turned out in large numbers. The frequent checking of costs during production, too, should provide useful information. In view of the importance of the need for watching costs of production, it is astonishing that the Select Committee should have had to record in its third report, published in January, that it had been unable to see the actual costs of almost any articles which have been delivered since the outbreak of war, and, in its fourth report, that even the information gathered by the ascertainment of costs after production reached the Supply Departments too late to be used to the best advantage, either in keeping a continuous watch on costs or in fixing prices for immediately succeeding contracts. The practice of estimating costs in advance has long been the practice of the Admiralty, the Royal Ordnance Factories, and of the Office of Works for stores, and it is employed by the Air Ministry for certain of its requirements. But the Ministry of Supply appears to rely almost entirely on the ascertainment of costs after production, and does not even possess the organisation for estimating them in advance; it must be conceded, however, that the Ministry of Supply, more than the other Supply Departments, has had to rely on large numbers of firms previously making civilian goods.

While the substitution of a fool-proof cost ascertainment system for competition may not be feasible in practice, even after several years, there is room for considerable improvement. And this would appreciably facilitate the second of the Government's tasks, which consists in choosing the most suitable type of contract for each purpose.

Supply contracts can be divided into two broad groups: those stipulating delivery at a fixed price, and those providing for payment of the actual cost of production, plus an agreed provision for overheads and profits. In normal times, the first type of contract, based on a careful estimate of costs, gives the best results, and the Committee strongly advocates its extension whenever possible. But the difficulties are many. On the one hand it is impossible to employ fixed-price contracts in the case of new types of product or in the case of firms changing over from civilian to munition work, for there is no basis for calculating costs in advance with any degree of accuracy. And this automatically rules out fixed-price contracts for a large proportion of supplies. Manufacturers are naturally loth to undertake the manufacture of goods if they cannot be certain of their ability to cover their cost; nor would it be in the national interest if manufacturers went bankrupt through being unable to cover their costs. In the absence of competition, if prices are to be fixed, manufacturers will insist on their being fixed high. On the other hand, there is the hardly less serious problem of fluctuating prices for raw materials and labour. If prices were stable the fixed-price contract could find much wider application. Unfortunately they are not; but who is to estimate the cost of labour and materials six months hence; and who can guarantee that materials will be delivered in time to the manufacturer so that he will not suffer costly interruptions in production? True, the Committee is aware of some of the difficulties. It realises the need for controlling direct costs, the prices of labour and materials. It even goes out of its way to urge the calculation of a war-time cost of living index to include only the items necessary for the maintenance of health and efficiency, as has been repeatedly suggested by *The Economist*. If the Government, at this stage, can be brought to adopt a policy that will enable direct costs of production to be estimated months in advance, then the fixed-price contract is by far the most suitable type. But this would now involve such enormous changes in

fiscal and labour policy that the Supply Departments and the individual industrialist may be forgiven if they make their plans on the basis of a continuance of frequent and unpredictable changes.

The "cost plus" type of contract protects the manufacturer against a rise in costs, but, in some of its forms, at any rate, it provides no incentive to him to keep at a minimum those costs that he can control. The extreme type of contract in this category is that by which the manufacturer receives his expenses plus a percentage of them as profit. It would no doubt be unfair to accuse manufacturers of adding their personal expenditure to costs of production, and of claiming a dividend on it. But there can be no doubt that this form of contract, which is still all too often employed, should be abolished wherever possible. In the cases of new types of product or of new firms, when no cost figures are available, some makeshift contract of this type cannot be easily avoided. It is usually possible, however, to fix maximum prices whereby the contractor is paid his costs plus an agreed profit, up to the maximum. Or, better still—for this method provides some incentive to keep costs down—it is often possible to fix a target price on condition that, if the attained costs are below the target, the contractor obtains, in addition to his costs and an agreed profit, a proportion of the savings he has made by his own effort.

In view of the upward trend in the prices of wages and materials, some kind of flexible contract has become unavoidable, even for established firms and types of goods. The type best suited—and already adopted in certain cases—is probably the contract which stipulates a fixed price (including profits) for that part of the costs that is within the control of the manufacturer and reimburses him for any increase in costs over which he has no influence. This method should neither stifle initiative (E.P.T. at 100 per cent. affects all contracts) nor encourage extravagance. But, like all other types

of contract, its success must depend, in a large measure, on an improvement and extension of cost control.

The procedure followed by the various Government Departments shows considerable divergences, and the Committee rightly stresses the need for more uniformity, at least so far as similar work is concerned. In peacetime the Admiralty relied largely on the fixed-price contract, based on the calculation of costs before production. But after the outbreak of war this practice had to be abandoned for repairs and conversions, and, instead, a type of flexible contract was adopted. The Air Ministry followed the Admiralty practice, and, while it has not been necessary to abandon it entirely in war, it has been modified by the McIntock Agreement. This provides for a contract based on costs plus a profit for the first batch of novel designs, and for a contract based on a target price for the transitional period until sufficient information is obtained to permit the introduction of the fixed-price type. The War Office's practice of fixing maximum prices, based on the ascertainment of costs after production in the Ordnance Factories and established contractors, has been retained by the Ministry of Supply. So far as constructional work is concerned, which remains under the contracts branch of the War Office, the extreme form of flexible contract providing for the payment of cost plus an agreed profit is still all too prevalent, in spite of the fact that the Office of Works, which has more experience in this field of activity, has demonstrated its ability to adhere to sound contract procedure.

In sum, better costing and improved contract procedure are necessary, among other things, if industry is to achieve the twin objectives of speed in production and economy in resources. It is for the Supply Departments to meet this need. True, the problem is complex and the difficulties are many. But the one is not insoluble, and many of the others can be overcome.

Industry's Reward

THE picture of this country being duped by a profit-seeking plutocracy is one of the fondest distortions drawn by enemy propagandists. This overworked trick is an attempt to exploit the unthinking delusion that there is something inherently profitable in war—that sinister motives of private gain plunge nations into bloodshed, and sustain wars for the financial benefit of the few. We need not examine in this article the clap-trap premises on which such argumentation is based. But a stage has now been reached in this war at which it can be put to satisfactory statistical disproof by an examination of the latest evidence from company profits.

In the long history of *The Economist's* profits surveys, it has been customary to take twelve-monthly stock at June 30th in each year, on the justifiable ground that profits recorded to June 30th represented, by and large, the earnings of industry in the previous calendar year. There are now two powerful arguments for changing this period of annual review to the calendar year itself. First, the reports appearing in 1940, having an average accounting date to April last, provide the first reasonably sound statistical basis for measuring changes in profits in the first year of war. Such are the inherent delays between the earning and the publication of profits, of course, that the 1940 figures still bear the imprint of many peace-time influences, though one predominant factor—taxation—has exerted growing war-time force. The second reason for providing an annual review at this moment is that a year has now elapsed since the new basis of computing our profits statistics was introduced. What has happened to trading and distributable profits in this period?

The first of the accompanying tables sets out the results of 2,260 companies reporting in 1940, and also those of the 558 companies whose accounts appeared during the last quarter. For the whole year, industrial profits (after depreciation) rose by 9.2 per cent. from £377,078,000 to £411,186,000. This is an increase which could be exploited by any propagandist who is unscrupulous in his use of facts. To anticipate him, let two points be made clear. First, these figures relate to total trading profits, so far as they can be ascertained from published accounts. They are not the net return to industry, and they are very far removed from the

eventual reward to shareholders. Secondly, it may be recalled that industrial profits in the first year of the war of 1914-18 rose by exactly 20 per cent., and earnings on ordinary capital jumped from 13½ to 17½ per cent. The prompt application of E.P.T. has evidently been more effective during the first stages of this war than it was in the last.

Net profits show a very different story, for the total weight of charges for depreciation and taxation more than offset the increase in trading profit during the past year. Published net profits have in fact fallen from £216,336,000 to £208,086,000 during 1940. This decline of less than 4 per cent. could not, admittedly, be represented as a grievous burden for industry and its shareholders, though if the full rigour of the current level of taxation had applied throughout 1940, the fall would undoubtedly have been more striking. The published net profits figure of £208,086,000 for 1940 corresponds to an estimated net figure, before charging standard income tax—but after E.P.T.—of £259,098,000. This latter

PROVISION FOR DEPENDANTS

There is no better way of providing for those dependent upon you than by effecting a Whole Life Assurance under *The Distinctive System* of this Institution, which combines Low Premiums with the right to share in the Surplus.

The Premiums may be paid throughout life or limited to a specified number, thus relieving the Assured in the later years when, owing to retirement, income may be reduced.

Write for *The Distinctive System* booklet

The Scottish Provident Institution

HEAD OFFICE 6 St. Andrew Square, EDINBURGH

FUNDS EXCEED £25,000,000

Founded for Mutual Life Assurance in 1837

estimate is merely another way of expressing the published figure, and is not, of course, comparable with the net total, after taxation, of £216,336,000 shown for the previous year. The difference between the published net profits total and the estimate of its equivalent before taxation illustrates the vital extent to which taxation charges intervene before shareholders receive their dividends. In future years, our grossed-up net profits estimates will provide the basis for stricter comparison of profits than has hitherto been possible. At the moment they throw no light on the issue whether war-time profits are excessive, for the simple reason that corresponding estimates for 1939 do not exist.

TABLE I.

Profits of 1940 Companies				Profits of Fourth Quarter Companies			
	Previous Financial Year	Latest Financial Year	Adjstd. Net Figures before Taxn.		Previous Financial Year	Latest Financial Year	Adjstd. Net Figures before Taxn.
Total Profits*	£200's 377,078	£200's 411,186	£200's 411,186		£200's 35,287	£200's 74,885	£200's 74,885
Depreciation...	160,742	22,515	...		35,112	4,889	...
Deb. int.	...	146,556	...		...	34,154	...
Other charges†	...	208,088	259,098		30,155	29,027	36,345
Net Profits.....	216,336	47,395	55,619		...	7,074	8,609
Prof. divs.....	...	120,081	168,870		...	16,564	22,347
Ord. divs.....	...	34,610	34,609		...	5,389	5,389
Added to free res.	...	...	...		...	...	...

* After depreciation where not separately stated.
† Where separately stated. ‡ Incl. taxation

In the light of the comparable figures for 1939 and 1940, however, it is clear that the burden of proof of the charge of war-time "profiteering" lies with those who bring it. All the evidence points to the fact that taxation is progressively mopping up all the increases in trading profits, and more besides. That point can be put to simple test by study of Table II. Taken quarter by quarter, the past year has shown, on the whole, a declining trend in the gross rate of earnings and dividend payments to ordinary shareholders, even before the increased exactions of the tax gatherer have taken effect. Equity shareholders, in those companies whose reports were published in the first quarter of 1940, received an average gross return of 13.1 per cent. But for the last two quarters of the year the gross rate has been below 10 per cent., and the net return, after taxation, has fallen much more steeply. Meanwhile, industry can only maintain its capital intact—under a regime of 100 per

cent. E.P.T.—by setting aside a larger proportion of its net profits after making provision for this tax. There is the clearest evidence that it has done so during the past twelve months, for the proportion of profits set aside to free reserves has increased from 10.9 per cent. in the first quarter to 15.0 per cent. in the last quarter.

On page 232 there will be found a table showing the profits experience of 25 major industrial groups last year. Making every allowance for the imperfect basis of comparison between the 1940 net profit figures and those of the preceding year—for these figures are not adjusted for changes in the standard rate of income tax—it is

TABLE II.

DISTRIBUTION OF PROFITS AND RETURN ON CAPITAL

	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
4th Quarter ...	23.6	61.4	15.0	4.8	5.8	12.1	9.8
Whole year ...	21.5	65.1	13.4	4.6	6.1	13.2	10.9

surely a sufficient interim answer to the materialist interpretation of current history to point out that, while all but six of these groups increased their trading profits, only six of the nineteen retained any part of their increased total profits in their net earnings. Of these groups, rubber and textiles are by far the most important. The bulk of the groups failed to increase their net profits in a year which was characterised by increased activity, due to the war, but which lacked the current impediments of closely controlled civil industry, rationing of raw materials, shortage of labour, and export difficulties. During the current year a much greater sector of civil industry will feel these burdens. In that sense, industry has been lucky in 1940, because our industrial preparation for total war was slower than it had any right to be. In 1941, it is already obvious, the story will be very different. It promises, in fact, to fulfil the oft-quoted precept "taking the profit out of war."

Finance and Banking

Tax Payments Again

Although the transfer of tax moneys to the Exchequer has again encroached heavily on the banks' resources this week, the position in the short loan market has been easing steadily. One factor in the situation has been the subnormal flow of new Treasury bills reaching the market. At last week's tender the market syndicate does not appear to have bid for the Tuesday 88-day bills on which allotment was made in full and received only 10 per cent. of its applications for the 89-day bills dated all other days of the week. This 10 per cent. allotment is lower than any received in the "bill famine" period early in 1939 (when admittedly the syndicate applied for rather less than half the present quota). Consequently, the market has been a diffident seller of bills to the banks, and the latter for their part have found it difficult to satisfy their moderate requirements for bills. One reason for this is to be found in the fact that the firm which operates in the market for the authorities has again been a persistent buyer of bills, taking any maturities on offer. It is still, presumably, acting in the main for one or more overseas customers whose requirements have not been fully satisfied at the weekly tender. Its activities must not, therefore, be regarded altogether in the light of open market policy. The Bank return, however, shows an increase of £13,680,000 in Government securities, and though market experience suggests that this movement must largely reflect direct transactions between the Treasury and the Bank, it may well be that the open market purchases of bills have to some extent been responsible for it. The strong tide of revenue payments may be seen

in the rise of £10,104,000 in public deposits. Bankers' deposits, at £110,628,000, show hardly any change on the previous week's total, the drain caused by the flow of funds into Government accounts and by a rather surprising rise of about £1,000,000 in the circulation, having been offset by the increase in the Bank's holding of securities.

Indian Securities Call-up

The vesting order for the compulsory acquisition of seven Government of India loans by the Treasury is the first instance on which use has been made of the Defence Regulations to repatriate Empire debt and thus check the inordinate accumulation of sterling area funds in London. Voluntary action on this line has already been taken by the dominions of Canada and South Africa, when the maturity of sterling loans provided the opportunity for outright redemption out of accumulated cash resources, but this is the first time the Treasury whip has been cracked to urge the movement along. The loans are outstanding to the tune of just over £90,000,000. It does not follow that the repatriation of capital resulting from this vesting order will reach these proportions. It is probable that a substantial amount of the loans in question are already held in India—whether by private investors or public departments. It will be remembered that the Indian Government undertook last year to facilitate the repatriation of sterling debt by undertaking to create and issue the rupee counterpart of any sterling stock. The Finance Member, in making his 1940 budget speech, stated that £9,000,000 of such debt

had been converted on these terms. It is probable that by now the figure has risen well above this level. The new vesting order will merely serve to accelerate this process.

* * *

Accumulation of Indian Balances

The need for a measure of this kind is emphasised by the recent growth of Indian sterling assets. By far the most important element in these assets are the balances and securities of the Reserve Bank of India. Prior to the establishment of the Reserve Bank the sterling balances of the Secretary of State were the most important fluctuating item in India's sterling assets. Now those balances have been reduced to the role of a current account in which is held the minimum petty cash requirements of the Administration. There is, in addition, a Silver Redemption Reserve in which some £7,500,000 is held, but this is a relatively stable item. The changes in the sterling assets of the Reserve Bank since the beginning of the war are shown below:

	in crores of rupees			
	Sterling securities	Sterling balances	Total	
Sept. 1, 1939	59.5	10.1	69.6	
Sept. 6, 1940	131.5	30.7	162.2	
Jan. 31, 1941	185.5	67.0	252.5	

The latest total gives a sterling equivalent of around £142,000,000. It is out of this reserve of sterling assets that the repatriation will be effected. The securities in question will be acquired by the Treasury and transferred at the price of acquisition to the Government of India. The mechanics of the operation as far as the Reserve Bank is concerned will probably involve a substitution of rupee securities for balances and securities now held in sterling. The Reserve Bank may subsequently decide to liquidate part of these additional rupee securities in the open market in India. Whether or not it does so must depend on the credit policy which the authorities in India desire it to pursue. It should be noted that since the vesting order only applies to holders of the loans in question who are resident in the United Kingdom, these sterling issues will not altogether disappear.

* * *

A Precedent and its Implications

One must assume that this latest vesting order marks a precedent which will be followed as and when the situation demands some compression of the liquid sterling assets of countries in the sterling area which have long-term sterling loans outstanding in this country. One interesting consequence of this will be to reduce the semi-official competition for such short-term assets as Treasury bills in the London market. The Indian operation alone will have a considerable effect in this direction. The development thus holds out the hope of rather larger allotments of Treasury bills for the discount market, and even of a recovery in the bill rate to a figure which will allow at least a $\frac{1}{2}$ per cent. turn on resales of bills to the banks. The market had for some time past viewed with concern the persistent growth in the semi-official competition for Treasury bills which had cut both the discount rate and the allotments of bills to subnormal proportions. It had, in fact, been entertaining hopes that in view of this increased competition for bills the Treasury might have been induced to raise the weekly offerings of bills above the present ceiling of £65,000,000. If, however, a substantial flow of Dominion funds now utilised in the bill market can be diverted to the repatriation of longer term sterling debt, the interests of all parties concerned will be served without any such adjustment. The Empire countries involved will gain by repatriating debt bearing interest at a considerably higher rate than that earned on their present short-term sterling assets. The market should find it possible to obtain a somewhat larger allotment of bills than the meagre rations to which it has lately been restricted.

* * *

Frozen Assets in U.S.A.

The United States Treasury has this week issued a statement of the foreign dollar assets frozen as a result of the invasion of the countries to whose nationals they

belong. The total reaches the imposing figure of \$4,369,000,000, of which \$1,596,000,000 is represented by foreign and domestic dollar securities, and the balance consists of gold and bank balances. All but \$29,000,000 of these frozen assets belong to countries which have been wholly or partially occupied by Germany. The \$29,000,000 in question belong to the Baltic countries now incorporated in the Soviet Union. The distribution of these assets is as follows:

	\$
France	1,593,000,000
Netherlands	1,619,000,000
Belgium	760,000,000
Norway	175,000,000
Denmark	92,000,000
Rumania	53,000,000
Luxemburg	48,000,000
Baltic States	29,000,000
Total	4,369,000,000

These funds are not all frozen to the same degree of solidity. Dutch and Belgian Government funds, for example, are to some extent being operated at the behest of the two Governments established in London. There have been discussions with Vichy for a partial release of the funds held on official French account. On the other hand, the dollar assets of Denmark and of the Baltic countries are, for the time being, completely immobilised.

* * *

Belgian Gold

The German Government have secured their biggest haul of gold from invaded countries through the intermediary of the Vichy Government. The metal which is thus finding its way to the enemy is that part of the National Bank of Belgium's gold reserve, which had, after many peregrinations, found its way to a safe deposit west of Dakar, in French West Africa. The amount in question, about £60,000,000, had left Brussels for Paris long before the invasion of Belgium. When the German break-through occurred, this gold, together with what remained of the Bank of France's own reserve, was first sent to Bordeaux, and then—in face of the protests of the Belgian Government, who wished it transported to Britain—to Dakar. Now the Belgian gold is in process of being transported back to Brussels. The orders which have led to this repatriation have ostensibly been given by the Brussels office of the National Bank of Belgium to the Bank of France. But German pressure can without difficulty be discerned both behind the instructions emanating from Brussels and in the compliance of the French authorities with these orders. The Belgian Government have been quick to defend their interests. Through their representative in the United States, M. Theunis, they have instituted legal proceedings for attaching an equivalent amount of gold—namely \$260,000,000—held by the Federal Reserve Bank for account of the Bank of France. This defensive move may safeguard the interests of Belgium. Unfortunately it does not prevent the German authorities from acquiring a much needed and considerable amount of gold.

* * *

Fire Losses in 1940

Although the ordinary risk of fire damage has of late been completely overshadowed by the incendiary menace from the air, the waste caused by ordinary fires

The OCEAN

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

FOR ALL CLASSES OF INSURANCE

shows a marked upward trend. For the year 1940 the estimated total of fire losses in Great Britain and Ireland, based on known large outbreaks with the usual 60 per cent. addition for fires in which the damage does not exceed £1,000, is £12,640,000, an increase of £3,552,000 (39 per cent.) on the 1939 aggregate of £9,088,000. In December alone the figure was £1,512,000, against £622,000 for the same month of the previous year. These heavier losses must in the main be ascribed to the increasing tempo of the national war effort; with staff operating at full pressure, and many workers as yet only partially trained in their new duties, precautions inevitably become relaxed. In some measure the losses may be the reflection of increased exposure, resulting from larger output and higher values, and to

this extent the Fire offices will have something, in the shape of additional income, to soften the blow. But loss ratios on home business will unquestionably be considerably in excess of those for 1939, and policyholders who, faced with the necessity of finding heavy sums for war damage insurance, feel tempted to economise on ordinary fire premiums, should draw the appropriate moral. It is true that in the current year the offices will derive some benefit from the presence of fire-watchers, but how far this will offset the tendencies already mentioned is problematical. In view of the importance on national grounds of keeping fire waste at a minimum, it is hoped that insurers will be allowed to retain sufficient staffs of expert surveyors to ensure that fire-protection standards are not unduly weakened.

Investment

Unified Stockbroking

Modern wars have the characteristic of unifying those who suffer from their effects, and this applies to commercial and industrial groups as well as to the general body of the people. This circumstance has doubtless played its part in enabling those stockbrokers, up and down the country, who have been fighting for unity throughout the profession to bring their labours to a successful conclusion. The new developments are set out in changes in the rules just published by the London Committee. The changes cover two distinct but connected matters, namely, relations between the London exchange and other recognised brokers, and a general reduction in rebates on commissions given to agents. While the latter removes an immediate strain on the broker—and is perhaps the only alternative to a rise in the charges made to the public—the former, which has been agreed with representatives of both the Associated Stock Exchanges and the Provincial Brokers' Stock Exchange, aims at securing unity of practice in all such matters as minimum commissions, restrictions on advertising and sharing of commissions to which the London broker has conformed for generations past. The plan is based on the contention that London jobbers form the only real stock market in the country, except for a number of local securities, and that the best interests of all parties are served by having only one market and concentrating all business in it, whether it be in London or elsewhere. It continues the special privilege of a rebate of half commission between members of the three groups of brokers specified, but withdraws this right from brokers, not members of any recognised body, but who were admitted to the "White List" compiled by the London Committee under Rule 203 (1). Further, the London market bars from direct access to its facilities members of the Associated and Provincial Brokers' exchanges who carry on jobbing business in competition with itself. While at first blush, this may appear an undue limitation of individual initiative and of competition, it is perhaps more usefully regarded as a practical acceptance of the fact that telecommunications—even in these days of bombs and priorities—have made of the whole country one unit, with one market, and that jointly fixed rules for all those who use it, whether in person or by teleprinter, are a necessity. There is no change in rules which imposes any fresh limitation on membership of any exchange and, perhaps, all that the investor has a right to ask is that, now that uniformity has been reached, the task of improving existing practice should receive due attention.

Full Register of Agents

Unity of practice involved reconciling conflicts of interest, real or apparent, within the profession. To cut commissions required at least the "benevolent neutrality" of one powerful group of agents, the bankers. These, the "White List" brokers, remisers and brokers' clerks were allowed return of half commission when other agents were cut to one-third. All

are now cut to one-third, except the White List broker, who, in common with all other recognised agents, will receive 25 per cent. return. Further, all classes of agent will require to obtain entry to registers to be kept by the London Committee, who will have absolute power to decide who shall be admitted. The qualification for admission, even to the receipt of 25 per cent. rebate, is that the agent shall be habitually engaged in handling stock exchange business. Thus, for the first time, members of the three recognised groups of brokers obtain, in dealings with one another, an advantage over all classes of agent. The grounds for this further cut in rebates are that even in normal times, averaging good with bad years, brokers' expenses take one-third of the commission, leaving only one-sixth to him for profit if half commission is returned, and that such a contribution is insufficient recognition of the service rendered by maintaining the whole machinery of the central market, towards which none but London members make any direct contribution. The broker is entitled to drive as good a bargain as he can, and the change is presumably justified, provided it does not lead to business by-passing the exchange, and so reducing its efficiency and the brokers' commissions. But here again, the public has the right to expect that, with any return towards normal, some of the benefit to brokers shall be passed on to it in the form either of improved facilities or of reduced charges. The agreement represents an attempt to solve problems which have occupied brokers for over a decade, and which have been under almost constant consideration for several years. That it is potentially helpful to the public is certain, not least because it will render the path of the "bucket shop" and of other transgressors more difficult. Nobody, least of all those responsible, will claim that it solves all the problems of the broker or insures a perfect service to the investor. It does, however, promise to leave those who have evolved it free to build on what is felt to be a more solid foundation than has existed in the past.

Vesting India Stocks

The decision of the Treasury to take over all United Kingdom sterling holdings of the six loans of the Indian Government, which have fixed redemption dates, appears to have come as a very unpleasant surprise to the market and the investing public. It was realised that the concentration of our imports on Empire countries, coupled in the case of India with substantial war outlays which do not enter into the balance of trade, would cause the accumulation of large sterling balances here. It seems to have been considered that market purchases of stock by India would have sufficed to meet these, and investors have to some extent competed with the Indian Government in driving up prices. It was not, however, appreciated that needs would be on a scale which, after eighteen months of war, called for the vesting of stocks whose total issue is of the order of £90 millions, nor was it understood that the securities chosen would be those which brought the greatest immediate saving to the borrower without consideration of his contract

Company Notes

Woolworth Expansion

The detailed preliminary figures of F. W. Woolworth and Co. for 1940 were dealt with in *The Economist* of February 1st, and the full report adds little to this aspect of the company's affairs except for showing the growth in trading profit, the extent of the tax provision and the appearance of a new item of £150,000 for contribution under the War Damage Bill. Trading profit exceeded £8,471,000, a rise of some £514,000, as compared with £680,000. The increase has been exceeded three times since 1935, but it sufficed to raise the total expansion over three years to some £1,690,000, as compared with £1,672,000 in the preceding period of equal length and with £716,000 between 1931—the first year as a public company—and 1934. As was inevitable, the rate of expansion has been falling off for some time, but to have raised even the absolute amount of increase during three years devoted to war and preparation for war is no mean accomplishment, even given the rise in prices. The increase in tax provision last year goes a long way to absorb the expansion since 1937. Most other allocations are little changed, but the transfer to buildings reserve is more than doubled at £250,000, and there is the first contribution of £150,000 under the War Damage Bill. This amounts to almost 1½ per cent. on the balance-sheet value of properties, which would seem to be a reasonable measure of liability. That it is also just 2 per cent. on the ordinary capital is a measure of the burden this cost is likely to impose on shareholders.

	Years to December 31		
	1938	1939	1940
	£	£	£
Gross profits	7,275,021	7,957,120	8,471,291
Written off properties a/c ...	314,480	344,519	363,132
War damage insurance	...	...	150,000
Net profit	6,961,141	7,612,601	7,958,160
Taxation	2,031,746	2,950,725	4,310,910
Staff fund	110,000	110,000	110,000
Prof. divs.	217,500	195,000	172,500
Ordinary stock:—			
<i>Earned</i>	4,601,895	4,356,876	3,364,750
<i>Paid</i>	3,534,375	3,253,125	2,803,125
<i>Earned %</i>	84.7	87.2	78.0
<i>Paid %</i>	65	65	65
Buildings reserve	100,000	101,080	250,000
Carry forward	5,468,446	6,471,117	6,782,741

The report is, as usual, silent as to the future, but some of the figures are suggestive. There is a modest expansion in properties and a rise of nearly £600,000 in stocks and debtors, but the feature is a jump of £3,180,000 in gilt-edged investments to some £3,645,000, associated with a drop of £725,000 in cash and an increase of £3,156,000 in creditors. Granted that a substantial part of the rise represents the temporary investment of tax money, the switching of resources from cash to investments, rather than adding to the former, may perhaps indicate, when coupled with a rise in prices,

with the lender. The market, in fact, feels very strongly that, if vesting was necessary, loans already repayable ought to have been selected first and not those with some years to run, as have those selected. Presumably the justification for the action lies in the fact that this country must make the best terms it can for the settlement of its debt to India and that these are the best acceptable. If it is felt that they are arduous, India can plead that they are less so than those demanded by at least one of the Dominions.

Stock	Outstanding end 1939	Acquisition Price	Pre-vesting Yield
	£ 000's	£ s. d.	%
India 5% 1942-47	8,880	104 16 6	2.10
" 4½% 1950-55	38,903	110 1 10	3.30
" 4½% 1958-68	17,500	112 17 0	3.52
" 4% 1948-53	11,355	106 11 7	3.17
" 3½% 1954-59	10,000	102 16 4	3.35
" 3% 1949-52	9,500	99 16 2	3.12

Without denying the inequity of the procedure as between holders of different loans, it is more profitable to consider its immediate effects and its implications. The funds now to be repaid to India have, in the past, been invested in tap and tender bills and in longer-dated securities. They are largely loans of medium date whose holders will presumably place them in the Consol market and, in part, in other securities, mostly of trustee status. The basic figure of £90 millions is an over-estimate, as it represents the total outstanding at the end of 1939, since when there will have been some purchases by India, and as it includes holdings outside this country and India, where a similar order has been made affecting repayment in rupees of the same stock. The effect of vesting is likely to be a substantially increased demand for the longer-dated loans of the British Government and for other issues such as corporation stocks and railway and similar debentures.

New Yield Criterion

The implications of the decision to liquidate debts between members of the sterling bloc by vesting securities of the creditor are considerable. The first suggestion is that, where India has led, others will follow, and that India's turn will come again. It seems evident that Australia should be considered first favourite in the succession, with New Zealand and South Africa to follow up. Canada is a case apart, as being outside the sterling area and requiring, in consequence, hard currency or its equivalent. Evidently, a considerable section of the list of trustee investments is likely to disappear in the not distant future, leaving a restricted choice. But this is not all, for it is far from clear how far the value of a "date" is affected by the new departure. Fixed interest stocks are priced on the basis that redemption yields rise with the length of life of the stock, but, if the example now before the investor is any guide, this means little to the borrowing governments, who are likely to take the stocks which give the greatest immediate relief to their hard pressed budgets. Presumably, there are limits to the price which the borrower will be prepared to pay for this immediate relief, but it is hard to say where they will be set in the case of any particular Dominion. The nature of the market's reaction is likely to be a reduction of the margin in yield which the investor has hitherto been prepared to pay for a definite redemption or an early date, and to substitute for contractual obligations the nominal interest rate as an index of priority of redemption. This will tend to make all stocks with nominal interest over 4 per cent. into shorts, those with the highest rates being the shortest. This is, however, only a tendency. If it were a certainty, high-interest stocks would quickly be bid up to a point at which the yield was very low, but, as redemption is contingent only, this can scarcely happen. It is curious that the effect of the order has so far been concentrated upon Indian "irredeemables," but it cannot be long before the position of Australian stocks is considered. The Commonwealth and States have around £78,500,000 stock, whose first redemption date is passed, carrying interest of 8½ per cent. or more, but of which only £30 millions carry more than 4 per cent. As against this, there are more than £100 millions of 5 per cent. stocks, a first repayable in 1945 under the terms of issue. It is a matter of crucial importance which of these are taken first, and one would guess it will be the latter.

RISEING VALUES

All Fire Insurances effected at pre-war, pre-purchase Tax figures, should be increased.

THE
LIVERPOOL & LONDON & GLOBE
INSURANCE COMPANY LTD.

is at your service

Head Office.
1 Dale Street, Liverpool, 2

London:
(Chief Office): 1 Cornhill, E.C.3

preparation for some reduction in turnover. The price of the 5s. units of ordinary stock at 52s. 6d. gives a yield of £6 3s. 9d. per cent.

* * *

English Electric Progress

The full accounts of English Electric for 1940 show a continuation of the steady expansion which this company has been enjoying since 1934. Unfortunately for the investor, trading profit is shown after tax provision at £517,066, instead of before tax as in previous years. In 1939, pre-tax earnings totalled £694,215, and tax provision amounted to £210,000, against £50,000 in 1938. It is clear that tax liabilities must have substantially increased last year, and it is evident that gross earnings of English Electric have in fact again expanded satisfactorily. Despite an increase in depreciation from £75,000 to £100,000, the surplus available for ordinary stock is actually higher at £289,906, against £281,826, representing an increase in the rate of earnings from 17.2 to 18.8 per cent. As in 1939, £100,000 is allocated to

general reserve, which now stands at £600,000 in the balance-sheet, leaving the carry-forward slightly reduced from £56,840 to £54,495.

	Years ended December 31		
	1938	1939	1940
Trading profit	667,003	694,215	517,066†
Depreciation and fees ...	66,000	80,247	103,208
Taxation	50,000	210,000	...
Debt interest	49,894	48,312	48,122
Preference dividend ...	73,830	73,830	73,830
Ordinary stock—			
Earned	427,879	281,826	289,906
Paid	144,347	192,251	192,251
Earned %	37.1	17.2	18.8
Paid %	10	10	10
General reserve	200,000	100,000	100,000
Carry forward	67,265*	56,840	54,495

* After £70,554 written off new issue expenses.
† After tax provision.

The directors state that the company's liquid assets at December 31, 1940, totalled £2,918,983—a moderate increase on the corresponding figure of £2,806,718 for 1939. The balance-sheet shows a fall in debtors from £2,972,178 to £2,922,851. Since this decline coincides with an important increase in the total of stocks and work in progress from £1,923,593 to £3,157,481, there is a presumption that Government payments are being promptly received for the increasing amount of work "directly connected with the prosecution of the war"—to quote the report of the previous year—on which English Electric is necessarily engaged. Cash holdings are reduced from £83,176 to the exceptionally low figure of £38,169, and creditors including tax provision are up from £2,220,181 to £2,945,534. There is every prospect that profits will continue to rise ahead of taxation and costs, at least during the current year. At the present price of 30s. 6d. ex dividend the £1 ordinary stock yields £6 11s. per cent.

* * *

Thomas Tilling Report

The report of Thomas Tilling for 1940 provides little indication of the influence of war conditions on motor transport earnings. While the operation of the subsidiary companies must have been considerably hampered by fuel restrictions and by the requisitioning of vehicles, the realisation of a net profit figure of £541,633, against £553,919—in both cases after deduction of taxation, administration expenses and depreciation and in the latter year of war damage insurance provision—is a remarkable achievement. Gross revenue, which unfortunately is, as usual, not disclosed by the company, must necessarily have shown an appreciable rise during 1940. After the normal deductions for fees, interest payments and preference dividends, the equity surplus is reduced from £514,519 to £502,694, but, grossed up at the rate of 8s. 6d. in the £, the surplus represents a rate of ordinary earnings of 13.8 per cent., as in 1939, thus providing the same cover for the 10 per cent. ordinary dividend. After the usual allocation of £100,000 to general reserve, the carry forward is reduced from £180,615 to £171,310. Three years' trend of profits is analysed in the following table:

	Years to December 31st		
	1938	1939	1940
Profit†	535,531	553,919	541,633
Fees	2,650	2,650	2,650
Interest	20,685	20,250	19,789
Pref. div.	16,500	16,500	16,500
Ordinary shares—			
Earned	495,696	514,519	502,694
Paid	412,000	412,000	412,000
Earned %	12.8	13.8	13.8
Paid %	10	10	10
General reserve	100,000	100,000	100,000
Carry forward	178,096	180,615	171,310

† After depreciation and taxation and, from 1939, after E.P.T.

The balance-sheet continues to present an appearance of great strength. The total of investments at or below par has increased slightly from £6,059,399 to £6,082,899, while the total of the general reserve fund has risen from £1,101,861 to £1,186,841. It is not clear that allowance has been made for depreciation of L.P.T.B. stocks, but



"I think we've just got time for a Hot Bovril, old man"

Hot Bovril cheers!

Never get chilled and depressed. Keep warm and sustained by timely cups of good Hot Bovril. This is the secret of those cheerful, fit folks who greet you with a 'winning' smile.

GET IN A SUPPLY OF BOVRIL NOW!

the valuation of total investments appears conservative. Cash holdings are up by nearly £100,000 to £202,958, debtors by some £20,000 to £114,419, and creditors only from £68,198 to £69,820. No doubt last year's excellent results are due in some measure to an increase in the number of passengers carried by the operating companies in the group and to adjustment of fares. The expansion of the group in recent years may possibly be temporarily checked by the war, but there is a good prospect that the 10 per cent. ordinary dividend will continue to be earned. The £1 ordinary stock at 40s. 3d. ex dividend yields £4 19s. 2½d. per cent.

* * *

Yorkshire Electric Power

The report of Yorkshire Electric Power shows another rise in total income to a fresh high level of £1,814,972 for 1940, against £1,582,892. The usual figures of unit sales of power are omitted in the national interest, but it may safely be inferred that they have in fact risen in volume as well as in value, and that the war has done little to restrict this company's steady expansion. General expenses showed a number of important rises during the year. The cost of fuel and energy for generation and distribution rose from £388,266 to £510,628; liability for rates and taxes from £222,648 to £263,305, and general maintenance and repairs from £98,677 to £118,883. The allocation to plant renewals fund is halved at £50,000, but the directors have earmarked £100,000 for payment to reserve for war damage insurance charges. Thus, after maintaining the depreciation and reserve allocation at £300,000, the surplus for equity capital is reduced from £156,613 to £146,098, at which level, as in the previous year, it fails to cover the 8 per cent. ordinary dividend absorbing £152,934 net. The earned rate is reduced from 7.9 to 7.6 per cent., and the carry forward from £95,451 to £88,615. The following table shows the trend of revenue and expenditure over the past three years:

	Years ended December 31		
	1938	1939	1940
Sales to consumers (thous. units)	437,980	502,313	*
Sales to C.E.B. (thous. units)	126,653	180,332	*
£	1,468,988	1,582,892	1,814,972
Total receipts	786,959	884,795	1,084,086
Expenses	105,000	100,000	50,000
Plant renewals	79,082	78,187	78,794
Interest and deb. dis.	280,000	300,000	300,000
Depreciation and reserve ..	70,600	63,297	55,994
Preference dividend	...	...	100,000
Reserve for war insurance ..	...	...	...
Ordinary stock—			
Earned	147,347	156,613	146,098
Paid	145,000	158,624	152,934
Earned %	8.2	7.9	7.6
Paid %	8	8	8
Carry forward	97,462	95,451	88,615

* Withheld in the national interest.

The most striking change in the balance-sheet position is the reduction in cash holdings from £170,045 to £7,439. Sundry debtors are substantially higher at

£913,573, against £771,941, an increase which is only partially financed by the rise in creditors from £621,052 to £693,003. The stock of coal and stores is providently increased from £321,022 to £381,224, and £20,000 is lent to the Treasury. The total of the A.R.P. suspense account, which is included among balance-sheet assets, has risen from £80,299 to £96,832. The cash resources are very moderate, but doubtless finance will present no difficulties even with the capital market closed. The £1 ordinary stock, at 35s. ex dividend, yields £4 11s. 5d. per cent.

* * *

Textile Progress

The reports of two leading holding and operating textile companies, *Amalgamated Cotton* and *Linen Thread*, show a very marked improvement in revenue during the past year. The aggregate trading profit of *Amalgamated Cotton* and its subsidiaries for the year to August 31st last, after depreciation and taxation, rose from £193,438 to £717,636, while the revenue of the holding company improved from £99,658 to £414,538. Even after an increase in the holding company's provision for taxation from £3,721 to £237,960 and an allocation of £50,000, against nil, to war contingencies, equity earnings increased from £22,768 to £63,830. In his speech, circulated with the report, Mr. A. C. Openshaw attributes the rise in revenue mainly to the better running time enjoyed by the plant of subsidiary companies, and states that the spinning mills of the group have operated at nearly 90 per cent. of capacity during the past year. In view of the official policy of restricting private purchases, the shortage of raw materials and rising costs, the directors are undoubtedly wise to refrain from raising the ordinary dividend from 8½ per cent. tax free which has been paid during the past three years and to leave the surplus to increase the carry-forward from £23,625 to £70,723. The tax free rate of equity earnings amounts to 31.4 against 11.3 per cent. The improvement in earnings of *Linen Thread* is also considerable. The total for 1939-40, at £288,861, was, however, shown after provision for war losses, while last year's total of £455,327 is before deduction of £140,000 for this contingency. With an increase in the tax provision from £60,000 to £80,000, the net profit for the year has risen only from £223,267 to £229,799. Thus, equity earnings at £108,799, against £102,267, represent a rate of 7 against 6.3 per cent. and provide a rather more adequate margin of cover for the 6 per cent. ordinary dividend. The balance-sheet of *Linen Thread* shows a rise in creditors, including provision for taxation and contingencies, from £350,773 to £1,220,497, and cash holdings are up from £93,092 to £501,763. The balance sheet of *Amalgamated Cotton Mills* shows an important rise in stock-in-trade from £606,800 to £976,556. Here, too, creditors, including provision for war contingencies, are significantly higher at £206,630, against £53,941. The chairman states that, since the date of the accounts, three of the subsidiary companies have suffered damage from enemy bombing. The company is apparently making satisfactory progress in finding new overseas markets. The 1s. ordinary shares at present stand at 1s. 9d. and yield £4 15s. 3d. per cent., while the £1 ordinary stock of *Linen Thread* at 23s. 9d. yields £5 1s. per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

Stock markets have given an uncertain display during the past week. On Friday, the absence of exact news concerning developments at Vichy, and Sir Kingsley Wood's latest statement that taxation must be further increased, sufficed to restrain purchasers who were otherwise encouraged by the fall of Benghazi. After the week-end, all markets profited from the Prime Minister's encouraging statement and the funds were supported on the news of the call up of Indian stocks, 3½ per cent. War Loan reaching a new high level since the outbreak of war. Later in the week, sentiment was again depressed by rumours of adverse developments in the Balkans and the uncertain

upshot of the Franco-Mussolini meeting.

At the end of last week, very little business was put through in the gilt-edged market, but a few stocks incurred fractional losses, including declines of ½ in 3½ per cent. War Loan and of ¼ in 2½ per cent. Funding and Conversion. On Monday, the funds were extremely strong. The market was led by a gain of ½ for 3½ per cent. Conversion, while 3½ per cent. War Loan put on ¼ to touch 103½—a new war-time record—before reacting to 103½. The market enjoyed a long list of gains among which 2½ per cent. Consols and 3 per cent. War Loan were prominent. The announcement of the vesting order for Indian securities was responsible for a rise of 2 points in the price of India 2½, 3, and 3½ per cent.

bonds on Monday, followed by further gains. In the foreign bond market, continued support for Belgian 4 per cent. securities, which put on 1½ points before the week-end followed by 2 points on Monday, was again the most outstanding feature. Egyptian Unified were mildly supported, but Greek issues reacted ½ point at the beginning of the week, when Japanese bonds returned to favour.

After closing last week with a generally easier tone, home rails, in particular the ordinary stocks, have attracted some attention this week. Prices showed a tendency, however, to move irregularly. Thus, a gain of ½ on Monday for Southern deferred was followed by a loss of ½ the following day. Among foreign rails, Canadian

Pacific preference rose $\frac{1}{2}$ on Monday followed by $\frac{1}{2}$ point the next day, but there was little demand for the ordinary stocks. Renewed selling of certain Argentine issues, in particular Central Argentine stocks, took place after the week-end.

★

The bulk of the week's optimism found expression in buying of the funds, and almost all sections of the industrial market have been easier on balance. So far, the longer working day has done little to increase business in this direction. After several weeks of outstanding firmness, the iron and steel section has been generally easier with small losses extending to Babcock and Wilcox, Dorman Long, Guest Keen, Staveley and Vickers. Among aircraft issues, De Havilland was supported in anticipation of the report, but elsewhere there was little doing. Distillers, which closed last week with a gain of 1s., reacted on Tuesday in company with Charringtons, Guinness and Ind Coope. The tobacco leaders stood firm, Imps gaining $\frac{1}{2}$ on two consecutive days, but among general industrial losses of a few pence extended to Boots, Dunlop, I.C.I. and Murex, while International Nickel continued its downward course.

★

Mining markets enjoyed little business and there were few changes in quotations. Among *kaffirs*, Johnnies were on balance a firm spot and Sub Nigel put on $\frac{1}{2}$ on Monday, but Springs and "Sallies" were offered later in the week and there was no great enthusiasm to buy. In the rubber market, long enduring apathy gave way to a certain amount of selling on Tuesday when small losses were suffered by Highlands, Badenoch, Seaford, United Patani and Tamiang. The oil market was very quiet, apparently having discounted the progress of General Wavell's army to the borders of Cyrenaica. The ordinary and preference issues of Anglo-Iranian found some support, as did Apex (Trinidad), and Mexican Eagles attracted some attention.

"FINANCIAL NEWS" INDICES

1941	Approx. Total Bargains in S.E. List	Corres. Day 1940	Security Indices
			30 Ord. shares* 20 Fixed Int.†
Feb. 6	2,115	4,690	71.2 126.7
" 7	2,322	4,762	71.3 126.7
" 10	2,990	6,728	71.3 126.7
" 11	2,190	5,338	70.9 126.8
" 12	2,316	5,219	70.5 126.8

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1941: highest, 73.7 (Jan. 17); lowest, 70.3 (Jan. 2). 20 Fixed Int., 1941: highest, 127.1 (Jan. 20); lowest, 126.1 (Jan. 2).

New York

THE prevailing sentiment on Wall Street has continued to be cautious, and a number of short-lived rallies during the past week have failed to arouse continued support. Before the week-end, price movements were irregular and the tone, on the whole, dull from fears of increased taxation and uncertainty as to the future of the war. Mr. Churchill's speech over the week-end had an encouraging effect, and on Monday markets opened firm, with motor and aircraft issues strongly in demand. Later in the week disturbing reports from the Balkans caused buying to fall away again and steel and aircraft stocks were sold. In mid-week, all markets were, of course, closed in celebration of Lincoln's birthday.

New York Prices

Total share dealings:—Feb. 5, 490,000; Feb. 6, 420,000; Feb. 7, 340,000; Feb. 8, 180,000; Feb. 10, 290,000; Feb. 11, 420,000.

	Close Feb. 4, 1941	Close Feb. 11, 1941		Close Feb. 4, 1941	Close Feb. 11, 1941
1. Railroads					
Balt. & Ohio	34	31	Celanese of A.	24	24
Ill. Cent.	25	24	Chrysler	64	65
N.Y. Cent.	12	12	Eastman Kdk.	20	20
Northern Pac.	6	6	Gen. Elec.	32	32
Pennsylvania	22	22	Gen. Motors	42	43
Southern	12	12	Inland Steel	84	84
2. Utilities, etc.			Int. Nickel	24	24
Amer. Tel.	160	162	Liggett Myers.	92	91
Amer. W'ks.	6	5	Nat. Dairy	13	13
Pac. Light	36	37	Nat. Distillers.	21	20
Pub. Sv. N.J.	28	28	Nat. Steel	60	59
Edison, Cal. Ed.	25	25	Proct. Gamble	54	53
United Gas	9	9	Sears Roebuck	71	71
3. Commercial and Industrial			Shell Union	10	11
Amer. Metal.	17	17	Socony Vac.	8	8
Am. Roll. Mil.	13	13	Stan. Oil N.J.	34	34
Am. Smelting	39	40	U.S. Gen. Fox.	6	6
Anaconda	23	23	U.S. Steel	61	60
Briggs	21	21	Wells-Pac.	92	94
			Woolworth	31	30
			Yngstn. Sheet.	35	35

STANDARD STATISTICS INDICES (1926 = 100)

	1941		Jan. 22, 1941	Jan. 29, 1941	Feb. 5, 1941
	Low Feb. 5	High Jan. 15			
347 Industrials	90.0	90.0	92.8	91.1	90.0
32 Rails	27.2	28.0	28.0	27.3	27.2
40 Utilities	75.9	78.7	77.8	77.0	76.9
419 Stocks	77.6	82.1	79.9	78.5	77.6
Av. yield*	6.52%	6.13%	6.37%	6.46%	6.52%

* 50 Common Stocks. (a) Jan. 22.

DAILY AVERAGE 50 COMMON STOCKS

	Jan. 30	Jan. 31	Feb. 1	Feb. 3	Feb. 4	Feb. 5
97-20	97-60	96-90	96-50	96-00	98-40	

1941 High: 105-80, January 10th. Low: 96-50, February 3rd.

Capital Issues

Week ending February 15, 1941	Nominal Capital	Conversions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	2,500,000	Nil	2,500,000
By S.E. Introduction	70,000	Nil	70,000
By Permission to Deal	Nil	Nil	Nil
Nat. Savings Certs.	3,720,874	Nil	3,720,874
5% Defence Bonds (a)	3,315,560	Nil	3,315,560
2½% Nat. War Bonds (b)	46,163	Nil	46,163
Ditto, 2nd Issue (c)	15,940,732	Nil	15,940,732
3% Savings Bonds (d)	5,470,410	Nil	5,470,410

Year	Including Conversions	Excluding Conversions
1941 (Old Basis)	137,762,992	137,762,992
1940 (New Basis)	390,734,389	37,979,356
1941 (Old Basis)	137,633,682	137,633,682
1940 (Old Basis)	387,587,933	34,832,800

Year	U.K.	Brit. Emp. ex U.K.	Foreign Countries
'41 (New Basis)	135,239,464	2,523,528	Nil
'40 (New Basis)	37,924,854	54,502	Nil
'41 (Old Basis)	135,133,682	2,500,000	Nil
'40 (Old Basis)	34,832,800	Nil	Nil

Year	Deb.	Prof.	Ord.
'41 (New Basis)	135,239,404	8,541	2,154,987
'40 (New Basis)	35,095,650	144,238	2,739,468
'41 (Old Basis)	135,133,682	Nil	2,500,000
'40 (Old Basis)	34,725,000	Nil	107,800

* "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.—CARDIFF GAS LIGHT & COKE COMPANY are raising the ordinary dividend from 5½ to 6 per cent. Both gross and net earnings are higher at £113,565 against £96,374 and at £41,725 against £39,818, respectively. H. E. RANDALL have also earned small increases in both gross and net revenue, the latter rising from £17,908 to £18,311. The 7½ per cent. dividend is repeated. Although the previous year's dividends are maintained by the majority of investment trusts whose results have appeared this week, METROPOLITAN TRUST is reducing the ordinary distribution from 12 to 11 per cent. in view of a decline in gross earnings from £158,426 to £152,789 and in net income from £83,339 to £74,099. BRITISH INVESTMENT TRUST is repeating the 12 per cent. dividend despite a setback in gross revenue from £324,421 to £311,269 and in net income from £148,449 to £125,057. SUNDERLAND & SOUTH SHIELDS WATER CO. are paying 7½ and 5 per cent. on ordinary capital as before and both gross and net profits, at £308,197 against £279,119 and at £78,172 against £73,980, respectively, show a satisfactory improvement on the previous year. BARROW, HEPBURN & GALE have suffered a moderate setback in earnings, net profits amounting to £67,583 against £80,129, but the 6 per cent. dividend is repeated. REDFERN'S RUBBER WORKS have cut their dividend from 17½ to 12 per cent. Gross income amounts to £41,687 against £45,827 and net profits to £26,704 against £31,203.

MISCELLANEOUS

Transvaal Gold Output, January.—(Fine ounces) Witwatersrand, 1,181,502; other districts, 29,769; total 1,211,271. December total, 1,176,522. Native labour employment at end of January: Gold mines, 364,912; coal mines, 19,021; total, 383,933.

Redfern's Rubber Works.—Profit for 1940, after working expenses, depreciation and bad debts, £43,017 (£46,752). Taxation, £13,578 (£12,982). Total ordinary dividend, 12 per cent. on £120,000 capital, against 17½ per cent. on £80,000 capital for 1939. Carry forward, £8,574.

Super Oil Seals.—Total profit for 1940, £87,294 (£40,403). Taxation, £65,000 (£21,000). Stock reserve, £4,000 (nil). Reserve, £4,846 (same). Carry forward, £5,428 (£4,502). Ordinary dividend, 40 per cent. (37½ per cent.).

Malayan Tin Dredging, Ltd.—Tin revenue year to June 30th, 1940, £279,360 (£100,412). Total revenue, £305,633 (£105,420). Net revenue, £139,382 (£31,113). Dividend raised from 10 to 55 per cent. Writing off property, etc., £34,520 (£10,996). Forward, £66,567 (£71,706).

Southern Malayan Tin Dredging.—Profits for year ended June 30th, 1940, reached the record figure of £531,082 (£179,611). Net profit £193,508 (£45,825). Dividend raised from 7½ to 37½ per cent. Property account reduced by £25,647 (£10,154). Forward, £34,440 (£28,760).

Manchester Ship Canal.—Net revenue for 1940, after fixed charges, taxation, etc., £215,219 (£215,007). Ordinary dividend, 1½ per cent. as before.

Wm. G. Gray & Sons.—Total profit 1940, £87,102 (£43,271). Net profit, £55,215 (£31,329). Ordinary dividend, 5 per cent. (nil). Goodwill written down by £10,000. Depreciation, £8,677. Carry forward (subject to tax adjustment), £21,000 (£14,730).

British Investment Trust.—Revenue for 1940, £181,644 (£212,663), after taxation, £117,583 (£98,866). Management expenses, etc., £12,042 (£12,892). Net profit after debenture charges, £125,057 (£148,449). Preferred dividend, 5 per cent., deferred 12 per cent. (same). Investment depreciation, £8,036 (£16,080). Carry forward, £107,370.

Industry and Trade

Agricultural Budgets

The January issue of the *Ministry of Labour Gazette* contains the results of an inquiry into the household budgets of agricultural workers. It was made at the same time as the inquiry into the weekly expenditure of industrial households, the results of which were published a few weeks ago—that is, it was made in one week in each of the months of October, 1937, January, April and July, 1938. The number of households furnishing the required information for the four weeks was only 1,491, compared with 8,905 in the case of industrial and commercial families; but as the total number of agricultural households in the country is appreciably smaller than the number of industrial and commercial families, the sample is not really unrepresentative; and there is little difference between the average size of the family in industry and agriculture; it was 3.77 in the former and 3.79 in the latter. The accompanying table, in which the weekly expenditure of the two kinds of households is analysed, shows that the average money income of the agricultural household in 1937-38 was 33 per cent. smaller than that of the industrial household. While this is, of course, chiefly a reflection of the lower rates of wages paid in

DISTRIBUTION OF WEEKLY EXPENDITURE PER HOUSEHOLD BY VALUE

	Industrial			Agricultural		
	s.	d.	%	s.	d.	%
Rent	10	10	12.5	4	9	8.2
Food	34	1	39.6	27	9	37.9
Clothing	9	4	10.8	5	10	10.0
Fuel and light	6	5	7.4	4	11	8.6
Other items	25	7	29.7	14	8	25.3
Total.....	86	3	100	57	11	100

agriculture, a contributory factor is the fact that, whereas in industry the average number of wage-earners per household was 1.75, it was only 1.59 in agriculture. Moreover, in contrast to the earnings of industrial households, the wages of many agricultural families are supplemented by allowances of food, fuel, etc., and by garden and allotment produce raised and consumed by the households; and the value of this supplementary income is excluded from the table. Another interesting difference between the expenditure of industrial and agricultural working-class households is to be found in the allocation of total expenditure among the main categories. In view of the allowances often made by employers in the form of food and the produce grown in gardens and allotments, it is somewhat surprising to find that agricultural households spend a much larger proportion (although a smaller absolute amount) of their total outlay on food than industrial households. Since the inquiry was made the income of agricultural households has been raised by the introduction of a minimum wage of 48s. per week in June last year, which, together with other adjustments, raised the weekly wage by from 9s. to 17s. per week.

Cut in Textile Quotas

On Tuesday Captain Oliver Lyttelton, President of the Board of Trade, announced further and fairly drastic reductions in the supply of cotton, rayon and linen piece-goods and made-up goods to retailers for the rationing period April-October, 1941. The changes in quotas—those for April-September are based on supplies in the corresponding period of 1939 and those for October-March on the corresponding period of 1939-40—since the introduction of the scheme on April 1st last year are shown below:—

QUOTAS FOR PIECE-GOODS AND MADE-UP GOODS (Bases: April-September, 1939, & October-March, 1939/40)	Cotton	Rayon	Linen
April-September, 1940	75	75	25
October, 1940-March, 1941	37½	66½	25
April-September, 1941	20	40	20

The reductions, true, are substantial; but if all the persons who can postpone replacements will do so, there

is no reason why the cut should cause hardship. But the stage may soon be reached when it will become necessary to introduce some form of individual rationing in order to ensure supplies to those who need them most urgently.

★ ★ ★

Lancashire's Export Policy

Recent speeches by the President of the Manchester Chamber of Commerce and the Chairman of the District Bank show how much alive Lancashire is to the importance of the export drive. Sir R. Noton Barclay, of the District Bank, called attention to the adverse effect upon cost of production of the restriction of home trade sales, and pointed out that unless overseas demand expanded sufficiently to offset this, our competitive power abroad would be hampered, especially as cost of production has been raised by wage increases, which now amount to about 30 per cent. over the pre-war level. He expressed the hope that some of these higher costs might be offset by the organisation of the Cotton Board. Addressing the Manchester Chamber of Commerce, Mr. Campbell stressed the readiness of the cotton industry to comply with anything which was necessary in the national interest, but he pointed out that the gradual development of the "full-blooded" export drive with which the year opened into the "managed" export policy which war exigencies had forced upon us must not be allowed to lead to the complete abandonment of any overseas markets. For the preservation of overseas trade the industry must rely mainly upon its own efforts, which must be directed both to the devising of means to make Lancashire products attractive to overseas customers, and to the difficult task of keeping our prices in line with those of our competitors in spite of the many additional war charges to which we are subject. "I believe, however," said Mr. Campbell, "that much can be achieved if we make the fullest possible use of research, by employing the most up-to-date methods of production, and by the closest collaboration amongst merchants. Following this line may involve throwing overboard old practices and preconceived ideas, but as the situation changes so, in my opinion, must we revise our ideas." If this attitude is representative of the cotton industry as a whole, the future of one at least of our major industries is not without hope.

★ ★ ★

Paper from Straw

The Paper Makers' Straw Trading Company, Ltd., has agreed with the National Farmers' Union on the price of 65s. or 70s. per ton (according to locality) for the purchase of first quality straw baled at the farm for paper-making. It is estimated that the paper trade will require in the region of 250,000 tons of straw a year, from which 75,000 to 80,000 tons of paper can be made. This quantity is equivalent to about 80,000 tons of wood pulp, and it will thus save shipping space, as well as £1½ to £2 millions in currency. The process of converting the straw into paper by boiling with chemicals and bleaching is, however, a somewhat costly one. Some mills began to use straw at the outbreak of war, but the interest in this raw material has increased with the difficulty of importing esparto, and some forty mills appear now to be using it. A good quality writing paper is obtained and, it is understood, a high-grade paper which is a substitute for esparto. The Paper Makers' Straw Trading Company, Ltd., are the sole buying agents for

FAMOUS SINCE 1795

OTARD'S

COGNAC BRANDY

the trade, and they allocate quotas to the various mills in relation to their consumption and stocks. The prices appear to be satisfactory to the farmers, and, in view of the increase in corn acreage, there should be no doubt about the paper trade's requirements being amply supplied.

* * *

Less Steel for Tinplate

The decision of the Steel Control to reduce the supply of steel to the tinplate industry conforms to the experience of control and trade exigencies in the last great war. Between 1914 and 1917 the output of tinplates was reduced from 800,000 tons to 355,000 tons, the number of mills in operation from 537 to 299, and exports fell from 435,302 tons to 177,383 tons. In August, 1939, the industry was consuming steel bars at the rate of approximately 900,000 tons per annum. On this basis a cut of 25 per cent. represents the release of some 225,000 tons per annum for the manufacture of other steel products, and if it is all withdrawn from the overseas trade it involves, on the basis of current prices, the sacrifice of an export revenue, in terms of tinplates, at the rate of between £6½ and £7 millions per annum. Over sixty mills and more than 6,000 workers are affected; hence the problem of redundant units which has been receiving the attention of the industry for some time past has been greatly complicated. The Ministries of Supply and Labour have given an assurance that every effort will be made to secure the absorption of the discharged workmen in more vital war work, but probably the men will in turn be asked to abandon the scheme of spreading out the available work in shifts of six hours instead of eight hours which has recently been in operation. The Area Board for Wales has reported that very little of the existing plant is suitable for war production, and at the new Government factories approaching completion in South Wales and Monmouthshire employment can be provided for only part of the additional men who are now being thrown out of work. Both employers and trade union leaders, however, are anxious to prevent, if possible, the migration of skilled labour to distant areas, and the Government has intimated its readiness to consider proposals put forward by the industry for the adaptation of the redundant plant for the manufacture of munitions or other essential war work.

* * *

Wages in 1940

There is hardly an industry for which statistics are available, in which there was no rise in wages in 1940. According to the January *Ministry of Labour Gazette*, there was an aggregate net increase of over £2 million in the weekly full time rates of wages of nearly 8 million workpeople, more than half of whom had already received some increase during the first four months of the war. In the whole period between the outbreak of war and the end of 1940 the aggregate net increase in weekly full time rates of wages is estimated to have been about £3 million. These figures do not take account of the increases in actual earnings due to overtime, fuller employment, and the extension of systems of payment by results. The table below, taken from the *Ministry of Labour Gazette*, shows the sharp contrast between 1940 and the ten years which preceded it:—

WAGE CHANGES IN 1930-40
(000's omitted)

	Individuals affected by		Estimated net change in weekly rates		Estimated net weekly increase or decrease in rate of wages of all workpeople affected
	Net increases	Net decreases	Net increases	Net decreases	
1930.....	768	1,100	£ 60	£ 116	+ £ 57
1931.....	47	3,010	5	406	— 401
1932.....	34	1,949	3	252	— 249
1933.....	180	894	17	83	+ 65
1934.....	1,344	80	96	4	+ 92
1935.....	2,307	50	199	7	+ 192
1936.....	4,062	1	493	2	+ 493
1937.....	5,161	4	788	1	+ 787
1938.....	2,382	322	282	19	+ 243
1939.....	5,655	66	940	9	+ 931
1940.....	7,902	...	2,148	0	+ 2,148

The largest aggregate increases were in transport, coal mining, textiles, building and engineering, but this was

due largely to the large numbers employed in those industries. The average increase was in the neighbourhood of 5s. per week, but there were wide variations from the average. In heavy chemicals the increase, for men, ranged from 1½d. to 3d. an hour; in engineering and shipbuilding and printing it was 5s. per week; in the clothing industries ½d. per hour; in boot and shoe manufacturing 9s. a week; in flour mills 8s. a week; in baking 1d. per hour; in tobacco 10s. 1½d. a week. Builders and gas workers received 1½d. an hour more and dock labourers 1s. a day. Tramway and omnibus workers had an increase of 3s. a week and merchant seamen 5s. together with an increase of 9s. 4d. a week in their war risk money. These random instances suggest that the wage increases of 1940 can by no means all have been intended merely to meet the rise in the cost of living. They seem to be clear indication of a lamentable absence of any national wages policy.

* * *

The Wholemeal Loaf

The controversy over the relative merits of the wholemeal loaf and the vitaminised white loaf, ranging over many columns of *The Times*, has now been settled by the Ministry of Food by the simple method of satisfying both sides. And the price of the wholemeal loaf will be the same as that of the white loaf. The flour for this bread will contain at least 85 per cent. of the wheat berry, against 73 per cent. in the case of the ordinary white loaf. The new wholemeal loaf will shortly be available in bakers' shops, except in districts where that type of bread has not hitherto been popular. Brown bread made from well-known proprietary brands of flour may still be on sale, though not necessarily at the same price as white bread. On the other hand, some time will probably elapse before the vitaminised white loaf will be put on the market. Thus ends a heated controversy, and with it the fear of indigestion of those who dreaded that it might end with a victory of the protagonists for the wholemeal loaf.

* * *

Roumanian Oil a Military Objective

The withdrawal of the British mission from Roumania will enable the British Government to take whatever steps may be necessary to check the flow of essential supplies from that vassal state to the German Reich. In this respect oil is of the utmost importance, for over one-half of the petroleum products potentially available to German-Europe this year must come from Roumania. It is not surprising, therefore, that the Nazis are making every effort to improve the existing facilities for the transport of Roumanian oil. According to reliable reports, they are now building some 200 tankers, with an aggregate capacity of 120,000 tons, for use on the Danube; they are constructing (largely with materials plundered from France) two new pipe-lines, one from the refining centre of Ploesti to the Danube loading port of Giurgiu, and the other from Ploesti to Moldova Neua, a port over 300 miles up-river from Giurgiu and above the rapids at the Iron Gate; and they are assembling every available tank-car for the carriage of oil by rail. When these preparations are complete the Nazis may be able, according to an estimate in the current issue of the *Petroleum Press Service*, to import Roumanian oil into the Reich and the occupied territories at an annual rate of over 4 million tons. This is double the capacity available last year, a fact which underlines the need for Britain to take offensive action in this part of the world. As our own authorities must be well aware, the Roumanian oil industry is highly vulnerable to attack from the air. The idea of bombing the oil wells themselves may be dismissed as quite impracticable—for they consist of hundreds of small and scattered targets. The oil refineries, on the other hand, through which virtually the whole of the country's output passes before it is exported abroad, are excellent targets. There are 16 principal plants at present in operation, all of which are situated in or near Ploesti. With their attendant storage facilities they could easily be located and attacked from the air—and their loss would be a serious matter for the Germans. The congested oil port of Giurgiu, where the refined products are transferred from pipe-line to river tanker, is another obvious objective, as are the various rail centres in the oil district.

COMPANY MEETING

INDIAN IRON AND STEEL COMPANY, LIMITED

(Incorporated under the Indian Companies Act, 1913)

MR LESLIE MARTIN'S ADDRESS

The annual general meeting of the Indian Iron and Steel Company Limited was held on December 18, 1940, at 12, Mission Row, Calcutta, Mr Leslie Martin (chairman of the board of directors) presiding.

The chairman, in the course of his speech, said:—Turning to the accounts, one important feature is the completion of the capital extensions programme on which we embarked three years ago, and although all the expenditure has not yet been finally allocated the statement in Schedule D indicates the large additions which have been made during the year. This has necessitated provision of a larger sum for depreciation.

Your company has paid the balance of Rs.55 lakhs due on its holding in the Steel Corporation of Bengal ordinary shares, so that these shares are now fully paid up and the balance-sheet shows a substantial sum of over Rs.1,30,00,000/- invested in shares, the market value of which exceeds Rs.2½ crores.

The profit and loss items call for little comment. Our aggregate sales have increased as compared with the past year, but the net receipts have not kept pace with the increased tonnage owing largely to increased costs of freight and insurance. Due to war emergencies, restrictions, and lack of shipping, the export of pig iron to Japan have been at times on a restricted scale. The control of prices maintained by the United Kingdom Steel Control prevented any change in prices throughout the period, although costs, over which the company has no control, rose substantially. There has been a further increase in railway freights since April this year.

You will have noticed that the offtake of iron by the Steel Corporation of Bengal, Limited, up to the end of March, 1940, amounted to 27,162 tons. At that date the corporation had just got into production, and since that date has been taking increasing quantities as its production has expanded. The somewhat complicated arrangements for the supply of services and

materials between the two concerns are working smoothly, and your directors are satisfied with the progress made by the corporation. It is hoped that by the time the next report comes before you the corporation will be working to full capacity, and thereby substantially reduce the dependence of your company's pig iron position on sales in foreign markets. These sales to the Steel Corporation are made in accordance with the terms of the agreement on a cost plus 5 per cent. basis. Your company, of course, under the same agreement will receive 20 per cent. of the net profits of the Steel Corporation. The progress of the Steel Corporation during the next year or two will be watched with interest.

The castings side of your company's business has made excellent progress, and advantage was taken of the increase in demand to liquidate old stocks and introduce new lines. It may interest shareholders to know that your company undertook the manufacture for use by the Steel Corporation of ingot moulds, required in pouring liquid steel. The manufacture of these moulds has proved successful, and their life in actual practice compares very favourably with the "life" of similar moulds produced in the United Kingdom.

The net profit available for distribution amounted to Rs.55,25,038/-, and the two dividends paid aggregating 20 per cent. for the year have absorbed Rs.50,71,424/-, leaving Rs.4,53,614/- to be carried forward. I trust that the distribution will meet with your approval.

Under pressure of war conditions the trading economics of industry are undergoing an important and, perhaps, enduring change. Your company's products are of first-rate importance for war purposes and, accordingly, our entire resources are now devoted to the production of materials which can be of assistance to the defence departments both in India and the United Kingdom. We have unreservedly offered to collaborate to the fullest extent in the war effort, for you and I know that unless the war is won the Empire will go under and with it all that we treasure and cherish. The future is in the lap of the gods, but it is for you and me, the common man, to hold dear to our ideals, to give unstintingly, to work for the final victory which alone can save mankind from a tyranny which looms so largely over the fair face of Europe to-day.

The directors' report and accounts were unanimously adopted.

COMMODITY AND INDUSTRY NEWS

Cotton.—A new Control Order (11017) came into force on February 7th. It provided that the official valuations should in future be the only basis for the fixing of yarn prices. It also removed the limitation on the amount of agents' commission, and removed the obligation on the spinner to charge to the buyer commission paid to agents (a) where no yarn produced by him is sold otherwise than through agents; (b) where he has an agreement with the agent prohibiting the latter from selling competitive yarns except on his behalf. The Controller has requested spinners and manufacturers to curtail their production as only limited quantities of raw cotton will be available during the next few months. Many spinners and manufacturers are in consequence refusing to quote at present. Order No. 18, which came into force on February 12th, increases the margins for American single yarns by 5 per cent., and the margins for winding both American and Egyptian single yarns by

5 per cent. The Government hopes that these increased margins will facilitate the continuation and extension of the granting of export derogations, and the Controller is prepared to authorise special additional derogations.

Grains.—Enquiries from Portugal for Canadian wheat, and conflicting reports about the American crop caused an upward movement until the week-end. Prices were still firm at the beginning of the week.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From (000 quarters)	Week ended		From Apr. 1 to	
	Jan. 25, 1941	Feb. 1, 1941	Feb. 3, 1940	Feb. 1, 1941
Argentina	137	156	13,694	6,861
Atlantic America	...	52	2,456	2,867
Danube Region	...	...	1,343	678
S. & E. Africa	...	...	3,335	1,228†
Indo-China, etc.	...	...	1,494	91
Total	137	208	22,324	11,725

* Not received. † Incomplete since December 14, 1940. Source: *The Corn Trade News*.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From (000 quarters)	Week ended		From Aug. 1 to	
	Jan. 25, 1941	Feb. 1, 1941	Feb. 3, 1940	Feb. 1, 1941
N. America	386	447	12,310	10,000
Argentina, Uruguay ..	166	136	11,631	4,965
Australia	...	...	612†	...
Russia	...	...	114	429
Danube and district ..	...	...	4,030	182
Other Countries	...	...	345	...
Total	552	583	20,042	15,576

* Unobtainable. † Incomplete. Source: *The Corn Trade News*.

Metals.—There has been active trading in tin, largely on United States account, with prices firmer.

Oils and Oilseeds.—Supplies of edible oils are good and substantial allocations are made week by week to the consuming industries enabling the Government fat ration to be steadily maintained and reserves accumulated. India continues to be the principal source of oilseeds.

"THE ECONOMIST" SENSITIVE PRICE INDEX (1935=100)

	Feb. 7, 1941	Feb. 4, 1941	Feb. 5, 1941	Feb. 6, 1941	Feb. 7, 1941
Crops	105.4	105.4	104.4	103.6	103.8
Raw Materials	167.2	167.1	166.7	166.8	166.8
Complete Index	132.7	132.7	132.0	131.5	131.6
Mar. 31, 1937*	100	100	100	100	100
Mar. 31, 1938*	100	100	100	100	100
Mar. 31, 1939*	100	100	100	100	100
Mar. 31, 1940*	100	100	100	100	100
Mar. 31, 1941*	100	100	100	100	100
Crops	147.9	92.2	112.1	105.8	105.6
Raw Materials	207.3	122.9	163.9	167.4	167.0
Complete Index	175.1	106.4	135.6	133.1	132.8

* Highest level reached during the 1932-37 recovery.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN UNITED KINGDOM (1927=100)

	Mar. 31, 1937*	Mar. 30, 1938*	Jan. 30, 1940	Jan. 21, 1941	Feb. 4, 1941
Cereals and meat	93.0	66.9	93.7	97.6	97.4
Other foods	70.4	61.1	79.7	83.8	83.8
Textiles	74.2	54.3	77.1	88.7	88.8
Minerals	113.2	77.6	110.0	129.3	129.3
Miscellaneous	87.0	77.6	98.1	110.6	111.0
Complete Index	87.2	70.3	91.9	102.5	102.5
1913=100	119.9	96.8	126.6	141.0	141.0

* Highest level reached during the 1932-7 recovery.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended February 8, 1941, total ordinary revenue was £58,121,000, against ordinary expenditure of £82,608,000 and issues to sinking funds of £145,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £2,115,847,000, against £627,081,000 (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 Feb. 10, 1940	Apr. 1, 1940, to Feb. 8, 1941	Week ended Feb. 10, 1940	Week ended Feb. 8, 1941
ORDINARY REVENUE					
Income Tax	510,500	281,352	371,226	35,481	37,531
Sur-tax	83,000	48,700	53,478	5,260	5,400
Stamp duties, etc.	86,100	65,180	65,907	1,340	1,267
Stamps	19,000	14,280	11,318	...	...
N.D.C.	70,000	22,800	20,032	690	630
E.P.T.	...	...	51,742	...	2,400
Other inland Revenue	1,000	990	609	100	70
Total In Rev.	769,600	433,392	577,312	42,871	47,298
Customs	309,350	225,040	260,713	4,708	7,009
Excise	213,550	116,580	172,300	1,600	1,745
Total Customs and Excise	522,900	341,620	433,013	6,368	8,754
Motor Duties P.O. (Net Receipts)	35,000	32,915	37,079	1,417	719
Crown Lands Receipts from Sundry Loans	1,150	7,504	9,250	1,100	1,300
Misc. Receipts	5,000	4,851	1,090	66	...
Total Ordinary Revenue	1,360,191	836,397	1,082,790	52,246	58,121
SELF-BAL. Post Office & Broadcasting	86,222	68,546	75,000	1,000	1,500
Total	1,446,413	904,943	1,157,790	53,246	59,621

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1940-41	Apr. 1, 1939, to Feb. 10, 1940	Apr. 1, 1940, to Feb. 8, 1941	Week ended Feb. 10, 1940	Week ended Feb. 8, 1941
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	230,000	214,108	218,692	1,119	1,078
Payments to N. Ireland	9,400	7,164	7,343	493	498
Other Cons. Fund Serv.	7,600	6,687	7,018	972	...
Total	247,000	227,959	233,053	2,584	1,576
Supply Serv.	321,970	122,716	295,690	38,448	81,032
Total Ordinary Expenditure	568,970	350,675	528,743	40,932	82,608
SELF-BAL. Post Office & Broadcasting	86,222	68,546	75,000	1,000	1,500
Total	655,192	419,221	603,743	41,932	84,108

The 1939 figures include expenditure out of defence loans.

After decreasing Exchequer balances by £27,801 to £3,198,791, the other operations for the week (no longer shown separately) raised the gross National Debt by £25,003,500 to about £11,057 millions.

OTHER ISSUES

(£ thousands)		
P.O. and Telegraph	250	
Overseas Trade Guarantees	150	
	400	

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1940, to February 8, 1941, are:—

(£ thousands)			
Ordinary Exp.	3,190,033	Ord. Revenue	1,082,790
Misc. Iss. (net)	7,431	Gross. borr.	2,124,082
Inc. in balances	804	Less—	
		Sinking fds.	8,610
		Net borrowing,	2,115,472
	3,198,268		3,198,268

FLOATING DEBT

(£ millions)							
Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt	
	Tender	Tap	Public Depts.	Bank of England			
1940							
Feb. 10	806.0	630.1	47.6	...	...	1483.7	
Nov. 2	845.0						
" 9	845.0			Not available			
" 16	845.0			"	"		
" 23	845.0			"	"		
" 30	845.0	1238.6	87.5	...	269.5	2440.5	
Dec. 7	845.0			Not available			
" 14	845.0			"	"		
" 21	845.0			"	"		
" 31	2151.8			86.0	50.5		338.0
1941							
Jan. 11	845.0	1340.7		Not available		2647.7	
" 18	845.0						
" 25	845.0			96.1	...		866.0
Feb. 1	845.0			Not available			
" 8	845.0						

TREASURY BILLS

(\$ millions)						
Date of Tender		Amount			Average Rate Allotted	Per Cent. Allotted at Min. Rate
		Offered for	Applied	Allotted		
1940						
Feb.	9	55.0	108.7	55.0	s. d. 20 6-11	48
Nov.	1	65.0	147.3	65.0	20 4-11	25
"	8	65.0	139.6	65.0	20 4-38	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
Dec.	6	65.0	140.7	65.0	20 1-99	54
"	13	65.0	144.0	65.0	20 1-25	33
"	20	65.0	130.8	65.0	20 2-15	38
"	27	65.0	143.8	65.0	20 1-52	31
1941						
Jan.	3	65.0	133.3	65.0	20 2-03	38
"	10	65.0	134.7	65.0	20 2-01	36
"	17	65.0	146.0	65.0	20 1-28	27
"	24	65.0	139.4	65.0	20 4-04	28
"	31	65.0	150.7	65.0	20 2-84	100
Feb.	7	65.0	149.4	65.0	20 3-30	10

On February 7th applications at £90 15s. per cent. for bills to be paid for on Monday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 10 per cent. of the amount applied for, and applications at higher prices in full. Applications at £90 15s. 1d. for bills to be paid for on Tuesday were accepted in full. £85.0 millions of Treasury bills are being offered on February 14th. For the week ending February 15th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

(& thousands)					
Week ended	N.S.C.	3% Def. Bonds	2½% Bonds	New 2½%	3% Sav. Bonds
Jan. 7	8,322	3,309	2,999	8,940	6,854
" 14	2,755	3,373	95	11,880	10,674
" 21	3,210	2,852	162	9,477	6,125
" 28	2,929	2,872	48	6,630	4,677
Feb. 4	3,727	3,316	48	15,950	5,470
" 11	...	...	130	12,293	5,935
Totals to date	220,086*	218,448*	444,338*	65,119	39,735

* 63 weeks. † 34 weeks.

Interest free loans received by the Treasury up to February 11th amounted to 11,935, of a total value of £27,406,907. Up to January 25th, principal of Savings Certificates to the amount of £28,472,000 had been repaid.

BANK OF ENGLAND RETURNS

FEBRUARY 12, 1941

ISSUE DEPARTMENT

£		£	
Notes Issued :		Govt. Debt ..	11,016,10
In Circul. ...	602,032,339	Other Govt. Securities ..	615,629,19
In Bnkg. Department	28,209,236	Other Secs. ..	3,153,83
		Silver Coin ..	7,88
		Amt. of Fid. Issue	630,000,00
		Gold Coin & Bullion (at 168s. per oz. fine)	241,571
			630,241,575

BANKING DEPARTMENT

ASSETS		LIABILITIES	
Props.' Capital	£ 14,553,000	Govt. Secs.	154,885,88
Res.....	3,464,965	Other Secs.	3,719,78
Public Deps.*	23,940,879	Discs, etc.....	19,814,94
		Securities	23,624,74
Other Deps.:		Notes	28,209,58
Bankers	110,628,593	Gold & Silver	28,209,58
Other Accts.....	55,174,992	Coin	1,141,61
	165,803,585		207,762,420
	207,762,420		

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

THE WEEK'S CHANGES

		Compared with		
		Last Year		
Both Departments	Amt. Feb. 12, 1941	Last Week		
COMBINED LIABILITIES				
Note circulation	602,032	+ 979	70.89	
Deposits: Public	23,941	+ 10,105	15.27	
Bankers	110,629	+ 172	5.09	
Others	55,175	+ 3,510	14.66	
Total outside liabilities...	791,777	+ 14,422	74.87	
Capital and res.	18,018	+ 26	...	
COMBINED ASSETS				
Govt. debt & securities	781,721	+ 13,744	80.80	
Discounts and advances	3,714	+ 351	4.84	
Other securities	22,967	+ 234	50	
Silver coin in issue dept.	8	...	...	
Coin and gold bullion ...	1,388	+ 88	...	
RESERVES				
Res. of notes and coin in banking department...	20,351	+ 892	20.06	
"Proportion" (reserve to outside liabilities in Bankg. dept.)	15.4%	- 1.7%	11.2%	

COMPARATIVE ANALYSIS

(£ millions)		
	1940	1941
	Feb. 14	Jan. 29
Issue Dept.:		
Notes in circulation	531.6	599.2
Notes in banking department	48.6	31.0
Government debt and securities	574.8	626.3
Other securities	4.7	3.7
Silver coin	0.2	0.2
Gold, valued at s. per fine oz.	168.00	168.00
Deposits:		
Public	39.2	32.4
Bankers	105.5	107.9
Others	40.5	51.7
Total	185.2	193.8
Banking Dept. Secs.:		
Government	126.1	149.9
Discounts, etc.	4.7	3.8
Other	23.1	25.5
Total	153.9	179.2
Banking dept. res.	49.4	32.0
"Proportion"	26.6	16.5

* Government debt is £11,015,100; capital £14,553,000. † Fiduciary issue raised from £5 millions to £80 millions on June 11, 1940.

OVERSEAS BANK RETURNS

NOTE—The latest returns of the Bank of Finland appeared in "The Economist" of Dec. 9th, 1939; Norway, of Apr. 13th, 1940; Denmark, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Switzerland, of June 15th; Java, of June 22nd; Latvia, of October 5th; Estonia, of October 25th; Meite Iran of November 23rd; Lithuania of November 30th; Argentina, of December 21st; Bulgaria, of January 11th; Yugoslavia of January 25; Australia and Sweden of Feb. 1st; Hungary, Japan, New Zealand, Portugal, Roumania, India and Prague of February 8th.

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

ASSETS		Nov.	Sept.	Oct.	Nov.
Gold in bars	1939	30,30	31,30	31,30	30,30
Cash	22.1	26.0	41.9	34.0	...
Eight funds	12.4	14.0	15.2	15.6	...
Commercial bills	70.9	114.0	111.5	110.7	...
Treasury bills	88.8	31.3	32.1	30.5	...
Time funds at interest	20.6	21.4	21.4	21.6	...
Sundry bills & invests.	210.6	216.2	221.3	226.6	...
LIABILITIES		Nov.	Sept.	Oct.	Nov.
Deposits: Annuit.	153.1	152.7	152.7	152.7	...
German	76.5	76.3	76.3	76.3	...
Central banks	29.0	22.6	30.5	43.8	...
Other	1.5	1.2	1.4	1.4	...
Gold	10.3	14.7	33.2	25.4	...

U.S. FEDERAL RESERVE BANKS

Million \$'s		Feb.	Jan.	Jan.	Feb.
		1940	1941	1941	1941
12 U.S.F.R. BANKS					
RESOURCES					
Gold Certifs. on hand and due from Treas.	15,620	19,840	19,897	19,904	...
Total reserves	16,017	20,210	20,279	20,264	...
Total cash reserves	101	361	373	351	...
Total U.S. Govt. secs.	2,477	2,184	2,184	2,184	...
Total bills and secs.	2,495	2,195	2,195	2,194	...
Total resources	10,236	23,432	23,317	23,295	...
LIABILITIES		Feb.	Jan.	Jan.	Feb.
F.R. notes in circ.	4,837	5,825	5,846	5,906	...
Excess m. bank res.	5,520	6,900	6,900	6,310	...
Mr. bank res. dep.	12,097	14,414	14,347	13,842	...
Govt. deposits	632	237	258	692	...
Total deposits	13,471	16,392	16,405	16,318	...
Total liabilities	19,236	23,432	23,317	23,295	...
Reserve ratio	87.5%	91.0%	91.1%	91.2%	...
BANKS AND TREASURY:		Feb.	Jan.	Jan.	Feb.
Monetary gold stock	17,998	22,066	22,110	22,122	...
Treas. and bk. currency	2,973	3,092	3,097	3,099	...
LIABILITIES		Feb.	Jan.	Jan.	Feb.
Money in circulation	7,403	8,542	8,548	8,627	...
Treas. cash and dep.	2,997	2,432	2,458	2,904	...

Rates Fixed by Bank of England

Official exchange rates fixed by the Bank of England remained unchanged between February 6th and February 12th. (Figures in brackets are par of exchange.)

U.S. \$ (4-86) 4-02-31; mail transfers, 4-02-03. Can. \$ (4-86) 4-42-47; mail transfers, 4-43-47. Sw. fcs. (25-22) 17-30-40. Sw. kr. (18-15) 16-85-95. Arg. pesos (11-45) 16-52-17-13; mail transfers, 16-95-17-15. Ned. E. Ind. fl. (12-11) 7-58-62; mail transfers, 7-58-64. Ned. W. Ind. fl. (7-58-62) 7-58-62; mail transfers, 7-58-64. Bel. Congo fr. 176-1. Portuguese esc. (110) 90-80-100-20. Panama \$4-02-04; mail transfers, 4-02-04. Philippine (peso), 8-09-12; mail transfers, 8-09-12.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, 3 cent pm-par. Canada, 4 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 £	Feb. 6, 1941	Feb. 7, 1941	Feb. 8, 1941	Feb. 10, 1941	Feb. 11, 1941	Feb. 12, 1941
Budapest, Pen.	27.82	(d)	(d)	(d)	(d)	(d)	(d)
Belgrade, Din.	276.32	155*	155*	155*	155*	155*	155*
Sofia, Lev.	273.66	200*(g)	200*(g)	200*(g)	200*(g)	200*(g)	200*(g)
Hongkong, Pk	673.66	315	315	315	315	315	315
Alexandria, Mt	193	180-210	180-210	180-210	180-210	180-210	180-210
Madrid, Pt. ...	97.23	973- ¹ / ₂	973- ¹ / ₂	973- ¹ / ₂	973- ¹ / ₂	973- ¹ / ₂	973- ¹ / ₂
	193	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)
	25-22 ¹ / ₂	46-55(c)	46-55(c)	46-55(c)	46-55(c)	46-55(c)	46-55(c)
Istanbul, £T ..	110	(d)	(d)	(d)	(d)	(d)	(d)
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. ...	718d.	(d)	(d)	(d)	(d)	(d)	(d)
		17- ¹ / ₂	17- ¹ / ₂	17- ¹ / ₂	17- ¹ / ₂	17- ¹ / ₂	17- ¹ / ₂
		18 ¹ / ₂	18 ¹ / ₂	18 ¹ / ₂	18 ¹ / ₂	18 ¹ / ₂	18 ¹ / ₂
Kobe, Yen ...	†24-58d.	13 ¹ / ₂ -14 ¹ / ₂	13 ¹ / ₂ -14 ¹ / ₂	13 ¹ / ₂ -14 ¹ / ₂	13 ¹ / ₂ -14 ¹ / ₂	13 ¹ / ₂ -14 ¹ / ₂	13 ¹ / ₂ -14 ¹ / ₂
Hongkong, \$..	†	14 ¹ / ₂ -15 ¹ / ₂	14 ¹ / ₂ -15 ¹ / ₂	14 ¹ / ₂ -15 ¹ / ₂	14 ¹ / ₂ -15 ¹ / ₂	14 ¹ / ₂ -15 ¹ / ₂	14 ¹ / ₂ -15 ¹ / ₂
Rio, Mil. ...	†5-89d.	(d)	(d)	(d)	(d)	(d)	(d)
Valparaiso, Pes.	40	(d)	(d)	(d)	(d)	(d)	(d)
Lima, Sol.(c), \$	17-38	(d)	(d)	(d)	(d)	(d)	(d)
Manila, P., ...	151d.	(d)	(d)	(d)	(d)	(d)	(d)
Singapore, S. ...	†25d.	28 ¹ / ₂ - ¹ / ₂	28 ¹ / ₂ - ¹ / ₂	28 ¹ / ₂ - ¹ / ₂	28 ¹ / ₂ - ¹ / ₂	28 ¹ / ₂ - ¹ / ₂	28 ¹ / ₂ - ¹ / ₂
Shanghai, S. ...	†	3 ¹ / ₂ - ¹ / ₂	3 ¹ / ₂ - ¹ / ₂	3 ¹ / ₂ - ¹ / ₂	3 ¹ / ₂ - ¹ / ₂	3 ¹ / ₂ - ¹ / ₂	3 ¹ / ₂ - ¹ / ₂
Bogota, Pes. ...	...	8 ¹ / ₂ - ¹ / ₂	8 ¹ / ₂ - ¹ / ₂	8 ¹ / ₂ - ¹ / ₂	8 ¹ / ₂ - ¹ / ₂	8 ¹ / ₂ - ¹ / ₂	8 ¹ / ₂ - ¹ / ₂
		9 ¹ / ₂	9 ¹ / ₂	9 ¹ / ₂	9 ¹ / ₂	9 ¹ / ₂	9 ¹ / ₂

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Depreciation, etc.	Net Profit after Tax	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.
Electric Lighting, etc.		£	£	£	£	£	£	%	£	£	£	£	%
Yorkshire Electric Power	Dec. 31	1,000,341	300,000	202,092	295,543	55,994	152,934	8	...	- 6,836	1,007,354	219,910	8
Financial, Land, etc.													
Amalgamated Cotton Tst.	Aug. 31	414,598	...	149,960	173,585	36,130	16,732	8 1/2	50,000	+ 47,098	99,658	63,610	8 1/2
Elect. & Industrial Invest.	Dec. 31	52,885	...	36,238	80,804	13,000	12,000	12	...	+ 11,238	47,496	30,398	12
Power Securities Corp.	Dec. 31	69,027	...	48,974	66,429	20,125	27,600	6	...	+ 1,249	104,541	75,898	6
Properties Selection Trust	Sept. 30	29,966	...	5,441	6,578	...	4,359	5	1,000	+ 82	20,628	6,512	5
Gas													
Cardiff Gas Light	Dec. 31	113,565	...	41,725	56,552	4,338	37,612	6	...	- 225	96,374	39,818	5 1/2
Ipswich Gas Light	Dec. 31	59,054	...	9,872	36,034	248	10,276	5 1/2	94	+ 1,129	60,541	12,341	6 1/2
Wakefield Gas Light	Dec. 31	26,343	...	7,860	9,485	1,125	5,606	5	...	...	25,407	7,258	5
Rubber													
Djasinga	June 30	23,919	...	(a) 22,253	31,420	...	22,406	5	...	- 153	952	(a) 13,053	3
Garing (Malacca)	Sept. 30	7,372	...	2,789	4,187	...	2,864	7 1/2	...	- 75	2,817	1,459	3
Ipo	Sept. 30	14,120	625	3,665	4,382	...	3,450	10	...	+ 215	4,281	285	NH
Padang Senang	Sept. 30	32,277	...	17,265	17,809	...	16,500	10	...	+ 765	11,610	7,394	4 1/2
Shops and Stores													
Randall (H. E.)	Dec. 28	26,417	6,165	18,311	66,389	5,100	12,375	7 1/2	...	+ 836	25,900	17,908	7 1/2
Woolworth (F. W.) & Co.	Dec. 31	8,471,291	613,131	3,287,250	9,758,367	172,500	2,803,125	65 1/2	...	+ 311,625	7,957,120	4,450,796	65
Textiles													
Barracks Fabric Printing	Dec. 31	35,624	2,701	15,603	23,363	3,000	10,125	13 1/2	...	- 2,478	30,928	20,837	13 1/2
Linen Thread Co.	Sept. 30	455,327	5,528	229,799	409,255	121,000	99,000	6	...	+ 9,799	288,861	223,267	6
Tramway and Omnibus													
Tilling (Thomas)	Dec. 31	541,633	...	519,195	699,810	16,500	412,000	10	100,000	- 9,305	553,919	531,019	10
Trusts													
Bay Hall Trust	Dec. 31	109,162	...	75,144	148,711	...	65,382	6 1/2	10,000	- 238	110,448	86,434	6 1/2
British Investment Trust	Jan. 1	311,269	...	125,057	292,427	44,063	72,958	12 1/2	...	- 8,936	324,421	148,449	12 1/2
English & N. York Trust	Dec. 31	73,997	...	32,329	59,021	13,406	8,044	4 1/2	...	+ 1,879	68,720	25,881	4 1/2
Metropolitan Trust	Jan. 1	152,789	...	74,099	133,955	28,125	42,305	11	...	+ 3,869	158,726	83,339	11
Standard Trust	Dec. 31	98,840	...	34,987	74,974	12,300	5	...	...	+ 3,093	101,741	40,185	5
Traction & General Trust	Dec. 31	75,799	...	42,625	78,941	19,054	24,061	10 1/2	...	- 490	90,926	54,278	11 1/2
Waterworks													
Sunderland & S. Shields	Dec. 31	308,197	...	78,172	145,621	1,087	60,611	7 1/2 & 5	15,000	+ 1,474	279,119	73,980	7 1/2 & 5
Other Companies													
Barnes (James)	Nov. 30	32,735	...	16,182	16,593	2,875	5,750	20	...	+ 7,557	29,261	6,746	30
Barrow, Hepburn & Gale	Dec. 31	81,583	10,000	67,583	121,965	31,050	12,075	20	...	+ 24,458	91,967	80,129	6
Blundell, Spence & Co.	Oct. 31	35,500	5,663	18,437	24,192	5,951	7,209	3	...	+ 277	43,744	20,763	4
Clark (Marcus) & Co.	Aug. 3	47,787	...	47,787	64,342	37,360	...	...	...	+ 10,427	43,163	43,163	NH
Craigston Cemetery	Dec. 31	8,656	...	3,916	4,578	...	3,000	6	500	+ 416	7,095	2,414	5
English China Clays	Dec. 31	42,085	...	39,257	53,788	27,936	14,066	1	...	- 3,645	56,035	53,446	1 1/2
Eastern Chemical	Mar. 31	20,807	2,229	11,486	Dr. 37,872	...	...	...	...	+ 1,486	9,171	2,468	NH
Gray (William C.)	Dec. 31	67,103	8,678	36,531	51,269	16,269	10,417	22 1/2	...	+ 2,022	63,605	22,416	NH
Jackson Bros. (Knott's T'ly)	Dec. 31	89,585	3,817	20,581	60,353	10,417	22 1/2	...	...	+ 1,865	89,684	39,780	17 1/2
Phillips Rubber Sales	Nov. 30	94,665	1,389	35,303	52,899	10,350	23,288	11 1/2	...	- 1,665	31,203	17 1/2	NH
Redfern's Rubber Works	Dec. 31	41,687	...	26,704	31,974	9,000	14,400	12	...	+ 3,304	45,827	31,203	12 1/2
Selincourt and Sons	Nov. 30	24,599	...	12,500	12,500	12,500	...	...	...	...	11,442	1,738	NH
Stone (J. & F.) Lighting, etc.	June 30	71,842	...	25,023	32,403	10,953	11,500	5	...	+ 2,575	102,339	41,017	5
Super Oil Seals	Dec. 31	87,294	...	17,648	22,149	...	11,875	40	4,847	+ 926	40,403	17,508	30
Total (£'000's)													
Week to Feb. 15, 1941	38	13,330	960	5,446	13,183	741	4,063	...	190	+ 452	12,153	6,618	...
Jan. 1 to Feb. 15, 1941	142	32,574	1,707	17,513	30,675	2,950	12,920	...	832	+ 377	30,112	19,214	...

(a) After transfer from reserve no longer required.

† Free of Income Tax.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash. Previous year's rate is total dividend unless marked* indicating interim dividend.

Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
TEA AND RUBBER					Byard Manufacturing...	12 1/2	25	...	25	Outram (George)	6	11	...	11
Bata Lintang Rbr.	5	Feb. 14	5	...	Campbell & Stewart	10	...	...	...	Phillips (J. & N.)	3	...	...	...
Bandang Tea	6	...	3	...	Clarke Chapman & Co.	12 1/2	...	...	...	Phillips & Powis Aircraft	...	...	...	...
Ipo Rubber	10	...	NH	...	Consolidated Signal	17	...	...	...	Phillips Rubber Sales	7 1/2	11 1/2	...	11 1/2
Krian Rubber	7 1/2	Mar. 26	7 1/2	...	Electrolux Corporation	20c	...	...	30c	Shredded Cane	1 1/2	2	...	2
Muar River Rubber	3 1/2	Mar. 18	3 1/2	...	English Electric	10	Mar. 1	10	...	Scottish Assets	2	...	...	...
MINING					Gossard Ltd.	3	...	...	...	Second Scottish Ameri-	2	...	...	...
Kuala Kampar Tin	12 1/2	Feb. 26	...	...	Kelsall & Kemp	3 1/2	...	...	...	Can Trust	20	...	20	...
INDUSTRIALS					Lancs United Transport	6 1/2	...	...	5	Sheffield Gas	14 1/2	...	...	...
Allied Indust. Services	9	...	10	...	Liverpool Gas	3 1/2	...	...	...	Short Brothers	27 1/2	...	...	...
Amalgamated Cotton Tr.	5	Mar. 17	5	...	Linen Thread	3 1/2	...	...	...	Southampton Gas	1 1/2	...	...	...
Birkett (T. M.)	5	...	5	...	Loxley (John)	3 1/2	...	...	...	Tilling (Thomas)	7 1/2	12 1/2	...	12 1/2
Blackwell Colliery	4 1/2	...	4 1/2	...	Manchester Ship Canal	1 1/2	...	...	...	Winterbottom Strachan,	5 1/2	10	...	10
British Assets Trust	12	...	12	...	Olive's Paper Mill	10	...	...	...	York Gas	3 1/2	...	...	...
Burnell & Co.	15	...	25	...										

† Free of Income Tax.

TRANSVAAL GOLD OUTPUT

Statistics for January, 1941 (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.
Anglo-Amer. Corp.		£	£	s. d.	Cent. Mng.-Rand M.		£	£	s. d.	"Johnnies"		£	£	s. d.
Brakpan	14,963	258,230	100,004	102 11 6	New Modder	204,000	29,114	86,501	100 2	E. Champ D'Or	35,000	72,079	38,233	80 6
Daggafontein	161 1/2	387,165	225,044	70 4 7	Nourse	84,000	16,630	36,008	125 0	Gov. Areas	251,000	430,919	180,191	98 8
East Daggafontein	76 3/4	168,112	67,796	100 3 7	Rose Deep	87,000	13,358	28,062	126 5	Langlaagte	116,000	136,868	10,098	157 0
S. Af. Land	116,000	267,413	151,013	73 2 6	Transvaal G.	32,600	5,507	5,640	147 3	N. State Areas	308,000	253,219	128,135	83 0
Springbok	165,000	374,094	199,504	73 6 1						Randfontein	308,000	488,919	142,178	120 3
W. Springs	90,000	160,292	58,552	106 8 0	Gen. Mining					Van Ryn	109,000	128,987	27,937	133 6
Cent. Mng.-Rand M.					Van Ryn	63,000	60,231	8,006	149 4	Witwatersrand	92,000	108,788	18,313	141 8
City Deep	114,000	26,218	75,295	111 1	W. Rand Cons.	240,000	373,709	104,057	97 1					
Cona. M. Reef	202,000	31,968	64,006	128 4						Goldfields				
Crown	344,000	84,044	320,218	92 2	Venterspost	115,000	22,485	53,725	120 6 2	St. George	15,000	29,011	84,407	111 8 7
Durban Deep	202,000	37,020	107,105	110 4	Simmer and Jack	153,000	29,911	84,407	111 8 7	Robinson Deep	125,000	27,043	90,174	101 5 4
E. Rand Prop.	221,000	45,835	129,015	112 1	Sub Nigel	78,000	43,459	244,349	55 8	Vogelstruisbuit	78,000	20,129	66,189	102 11 1
Geldenhuis	10,000	3,109	8,207	115 6	Rietfontein	35,000	5,349	18,207	107 5 9	Modder Deep	51,000	6,254	9,147	139 10
Glyn's Ltd.	93,000	15,752	61,565	90 9	Luipaards Vlei	85,000	17,931	45,361	117 6 3	Van Dyk	97,800	24,246	81,758	103 4
Modder B.	139,000	22,936	80,029	98 6										

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.

Prices, Year 1940				Prices, Year 1941				Name of Security				Price, Feb. 11, 1941				Ch'ge since Feb. 4, '41				Yield Feb. 11, 1941				Prices, Year 1941				Last two Dividends				Name of Security				Price, Feb. 11, 1941				Ch'ge since Feb. 4, '41				Yield Feb. 11, 1941																							
High Low				High Low								High Low												High Low				(a) (b) (c)								High Low				(a) (b) (c)								High Low				(a) (b) (c)															
																				British Funds																								Iron, Coal, &c. -cont.																							
77	68 1/2	77 1/2	76 1/2	Consols 2 1/2 %				77 1/2	...	£ s. d.	23 1/2	21 7/8	14 b	12 1/2	Guest Keen & Co. Ord. £1				22 1/2	...	5 11 0 d																																														
111 1/2	103 1/2	110 1/2	110 1/2	Do. 4 % (aft. 1957)				110 1/2	...	3 12 5 f	12 7/8	11 1/8	5 b	14 a	Hadfield's Ltd. £1				21 3/8	...	10 12 0																																														
98 1/2	98 1/2	99 1/2	98 1/2	Conv. 2 % 1943-45				98 1/2	...	2 3 1	21 9/16	19 1/8	12 a	14 a	Powell Duffryn £1				21 3/8	...	11 4 0																																														
108 1/2	95 1/2	100 1/2	100 1/2	Do. 2 1/2 % 1944-49				99 1/2	...	2 12 1 a	41 3/4	42 1/8	12 a	15 b	S. Durham Ord. £1				21 3/8	...	5 13 0																																														
108 1/2	97 1/2	100 1/2	100 1/2	Do. 3 % 1945-53				104 1/2	...	3 7 5 f	30 1/2	28 1/2	10 b	4 a	Stewarts & Lloyds £1				46 3/8	+1 3	30 1/2																																														
112 1/2	107 1/2	108 1/2	107 1/2	Do. 3 1/2 % 1944-64				108 1/2	...	2 8 7	24 1/8	21 1/8	6 b	4 a	Swan, Hunter £1				29 1/8	...	9 16 0																																														
92 1/2	86 1/2	92 1/2	92 1/2	Fund. 2 1/2 % 1956-61				92 1/2	...	3 0 9	18 1/2	14 10 1/2	2 a	4 a	Un. Steel Cos. Ord. £1				22 1/2	...	7 0 0																																														
98 1/2	92 1/2	98 1/2	97 1/2	Fund. 2 1/2 % 1956-67				98 1/2	...	2 17 8	4 1/2	3 1/2	NH	NH	Brit. Coal & Steel				3 1/2	-3d.	NH																																														
99 1/2	95 1/2	99 1/2	99 1/2	Fund. 3 % 1959-69				99 1/2	...	3 1 1	33 1/2	29 1/2	5 b	3 a	Coats, J. & P. £1				31 10 1/2	...	5 9 6																																														
114 1/2	105 1/2	114 1/2	113 1/2	Fund. 4 % 1960-80				113 1/2	...	3 2 5	34 7/8	30 7/8	7 c	2 a	Courtlands £1				31 1/2	-1 1/2	4 10 0																																														
102 1/2	98 1/2	101 1/2	100 1/2	Nat. D. 2 1/2 % 1944-48				100 1/2	...	2 17 10	29 1/2	26 10 1/2	5 b	2 a	English Swg. Ctn. £1				28 1/2	...	5 4 6																																														
102 1/2	98 1/2	101 1/2	100 1/2	Do. 3 % 1945-58				101 1/2	...	2 17 10	19 1/2	17 1/2	7 c	7 c	Lancs. Cotton Corp. £1				18 1/2	-3d.	8 2 0																																														
100 1/2	100 1/2	100 1/2	100 1/2	War Bds. 2 1/2 % 1945-47				100 1/2	...	2 8 8	53 1/2	17 1/4	7 c	7 c	Patons & Baldwins £1				52 1/2	-7 1/2	3 4 0																																														
100 1/2	100 1/2	100 1/2	100 1/2	Do. 2 1/2 % 1946-48				100 1/2	...	2 7 11	19 1/2	49 10 1/2	110 c	12 a	Electric & Manaccs.				40 1/2	...	5 0 0																																														
100 1/2	100 1/2	100 1/2	100 1/2	Sav. Bds. 3 % 1955-65				100 1/2	...	2 19 1	41 1/2	39 1/2	10 c	10 c	British Insulated £1				85 1/2	...	4 10 0																																														
100 1/2	100 1/2	100 1/2	100 1/2	Victory Bonds 4 %				111 1/2	...	3 4 3 1/2	88 3/8	82 1/8	15 b	5 a	Callenders £1				63 1/2	...	5 6 8																																														
101 1/2	98 1/2	101 1/2	100 1/2	War L. 3 1/2 % 1955-59				101 1/2	...	3 7 10 1/2	65 1/2	62 1/2	10 b	5 a	Crompton Park A. 5/-				18 1/2	...	5 6 8																																														
103 1/2	93 1/2	103 1/2	103 1/2	War L. 3 1/2 % aft. 1952				103 1/2	...	3 6 8	19 1/2	17 1/2	7 a	12 b	English Electric £1				30 1/2	-xd	5 1 0																																														
103 1/2	93 1/2	103 1/2	103 1/2	Local Loans 3 %				104 1/2	...	3 6 8	31 1/2	28 1/2	10 c	10 c	General Electric £1				78 1/2	-7 1/2	5 1 0																																														
103 1/2	93 1/2	103 1/2	103 1/2	Redemption 3 % 1960-66				94 1/2	...	3 0 4	80 1/2	77 1/2	20 c	20 c	Johnson & Phillips £1				46 3/8	-1 3/4	5 14 0																																														
101 1/2	97 1/2	100 1/2	100 1/2	Austria 3 % 1933-53				94 1/2	...	3 7 9	47 1/2	44 1/2	7 a	7 a	Clyde Valley Elec. £1				35 1/2	...	4 11 6																																														
71 1/2	59 1/2	74 1/2	70 1/2	India 2 1/2 %				71 1/2	...	3 11 3	35 1/2	33 1/2	5 b	8 a	County of London £1				32 1/2	...	6 9 3																																														
97 1/2	82 1/2	98 1/2	96 1/2	Dom. & Col. Govts.				105 1/2	...	3 16 7	35 1/2	32 1/2	10 a	8 a	Edmundsons £1				24 1/2	...	4 19 0																																														
107 1/2	101 1/2	105 1/2	104 1/2	Austria, 5 % 1945-75				110 1/2	...	3 1 0	29 1/2	26 1/2	5 b	2 a	Gaesche Light & C. £1				13 1/2	...	6 3 3																																														
110 1/2	106 1/2	108 1/2	107 1/2	Canada 4 % 1945-58				108 1/2	...	3 18 9	29 1/2	26 1/2	5 b	2 a	Lancashire Elec. £1				28 1/2	...	5 6 6																																														
105 1/2	100 1/2	105 1/2	104 1/2	Nigeria 5 % 1950-60				105 1/2	...	3 18 9	27 1/2	25 1/2	4 b	2 a	North-East Elec. £1				26 1/2	...	5 8 6																																														
108 1/2	103 1/2	107 1/2	107 1/2	N. Zealand 5 % 1946				107 1/2	...	3 4 0	35 1/2	33 1/2	5 b	2 a	Scottish Power £1				34 1/2	...	4 13 0																																														
118 1/2	104 1/2	107 1/2	107 1/2	S. Africa 5 % 1945-75				107 1/2	...	3 4 0	35 1/2	33 1/2	5 b	2 a	Yorkshire Electric £1				35 1/2	...	4 11 6																																														
85 1/2	78 1/2	86 1/2	84 1/2	Corporation Stocks				107 1/2	...	3 13 0	15 1/2	13 1/2	30 c	15 c	Austin 5/-				15 1/2	...	5 0 0																																														
94 1/2	87 1/2	94 1/2	93 1/2	Birmingham 5 % 1946-56				107 1/2	...	3 10 0	15 1/2	13 1/2	30 c	15 c	B.S.A. Ord. £1				17 1/2	...	8 11 6																																														
104 1/2	97 1/2	103 1/2	102 1/2	L.O.C. 3 %				94 1/2	...	3 8 2	17 1/2	16 1/2	6 b	7 c	Bristol Aer. 10/-				17 1/2	...	9 15 0																																														
92 1/2	71 1/2	84 1/2	80 1/2	Liverpool 3 % 1957-62				103 1/2	...	3 6 6	15 1/2	13 1/2	30 c	15 c	Fairley Aviation 10/-				12 1/2	...	8 6 9																																														
28 1/2	20 1/2	37 1/2	31 1/2	Argen. 4 1/2 % Stg. Bds.				31 1/2	-1	5 10 0	10 1/2	9 1/2	6 b	7 c	Ford Motors £1				17 1/2	...	6 14 0																																														
45 1/2	12 1/2	35 1/2	32 1/2	Brazil 5 % Feb. 1914				35 1/2	...	7 2 10 1/2	18 1/2	16 1/2	5 c	6 c	Hawker Siddeley (5/-)				12 1/2	+9 1/2	13 5 0																																														
80 1/2	60 1/2	82 1/2	78 1/2	Chile 6 % (1929)				82 1/2	...	11 10 0	18 1/2	15 1/2	5 c	6 c	Leyland Motors £1				62 1/2	-1 3/4	6 8 0																																														
25 1/2	12 1/2	38 1/2	32 1/2	China 6 % (1929)				79 1/2	...	5 0 0	14 1/2	12 1/2	15 a	17 b	Lucas, J. (£1) Ord.				26 1/2	...	5 12 0																																														
82 1/2	60 1/2	82 1/2	78 1/2	Egypt United £1				79 1/2	...	5 0 0	14 1/2	12 1/2	15 a	17 b	Morris Motors £1				26 1/2	...	5 12 0																																														
25 1/2	12 1/2	38 1/2	32 1/2	Japan 6 % 1930				29 1/2	...	18 12 0	55 1/2	50 1/2	25 a	12 b	Rolls Royce £1				76 1/2	...	5 4 0																																														
87 1/2	57 1/2	60 1/2	58 1/2	Portuguese 4 %				60 1/2	...	5 0 0	28 1/2	24 1/2	45 c	20 a	Standard Motor 5/-				12 1/2	...	10 8 11																																														
69 1/2	37 1/2	45 1/2	41 1/2	Spanish 4 %				45 1/2	...	8 16 10	12 1/2	11 1/2	22 c	25 c	Shipping				18 1/2	...	5 11 0																																														
																				Railways																								Shipping																							
5 1/2	4 1/2	NH	NH	B.A. Gt. Stn. Ord.				5 1/2	...	Nil	10 1/2	9 1/2	4 c	5 c	Furness, Withy £1				18 1/2	...	5 11 0																																														
37 1/2	32 1/2	NH	NH	Can. Pac. Com. \$25				37 1/2	...	Nil	17 1/4	16 1/4	4 c	5 c	P. & O. Def. £1				21 1/2	...	7 2 9																																														
90 1/2	84 1/2	NH	NH	Gt. Western Ord.				35 1/2	-1	10 0 0	30 1/2	28 1/2	7 a	2 a	Royal Mail Lincs £1				17 1/2	...	5 18 0																																														
58 1/2	50 1/2	5 c	2 a	Do. 5 % Cons. Pr.				89 1/2	...	5 12 4 a	3 1/4	3 1/4	6 b	4 a	Union Castle Ord. £1				9 1/2	...	Nil																																														
159 1/2	33 1/2	4 c	2 a	L.N.E.R. 5 % Pref. 1955				57 1/2	...	8 13 9	26 10 1/2	26 1/2	6 b	3 a					2 3/8	...	6 16 6																																														
39 1/2	33 1/2	NH	2 c	Do. 4 % 1st Pf.				14 1/2	...	10 10 4	2 1/4	2 1/4	9 c	5 c					2 3/8	...	4 8 9																																														
159 1/2	33 1/2	NH	2 c	L.M.S. Ord. £1				39 1/2	...	10 2 6	42 1/2	35 1/2	20 a	6 c					2 3/8	...	4 8 9																																														
35 1/2	31 1/2	2 c	2 a	4 % Pf. 1923				54 1/2	...	7 6 0	26 1/2	24 1/2	17 b	6 a					2 3/8	...	4 8 9																																														
55 1/2	31 1/2	2 c	2 a	4 % Pf.				54 1/2	...	7 6 0	26 1/2	24 1/2	17 b	6 a					2 3/8	...	4 8 9																																														
122 1/2	10 1/2	NH	1 c	Lon. Trans. "C"				34 1/2	...	4 8 0	51 1/2	52 1/2	6 b	3 a					2 3/8	...	4 8 9																																														
58 1/2	44 1/2	5 c	2 a	Southern Def.				11 1/2	...	11 6 0	47 1/2	38 1/2	5 c	12 a					2 3/8	...	4 8 9																																														
88 1/2	53 1/2	2 a	2 a	Do. 5 % Pf. Ord.				49 1/2	-2	10 6 0	61 10 1/2	59 1/2	7 a	7 a					2 3/8	...	4 8 9																																														
88 1/2	53 1/2	2 a	2 a	Do. 5 % Pf.				87 1/2	...	5 14 0	61 10 1/2	59 1/2	7 a	7 a					2 3/8	...	4 8 9																																														
																				Banks and Insurance																								Miscellaneous																							
83 1/2	53 1/4	7 1/2	10 b	Alexander £2 1/2 pd.				63 1/2	...	5 9 9	63 1/2	58 1/2	7 1/2	5 a	Asso. P. Cement £1				61 3/8	...	4 1 9																																														
84 1/2	33 1/2	6 a	6 a	Bank of England Stk.				340 1/2	+2	3 10 6	28 1/2	27 1/2	5 b	NH	Barker, John £1				37 1/2	...	4 2 6																																														
£49	48 1/2	3 1/2	3 a	Bank of Australia £5				7 1/2	...	5 12 6	40 1/2	41 1/2	m29	80 a	British Overseas £1				41 10 1/2	...	5 10 0																																														
27 1/2	25 1/2	5 b	5 c	Bk. of Montreal \$100				£48																																																											

BRITISH WHOLESALE PRICES

CEREALS AND MEAT	Feb. 4, 1941		Feb. 11, 1941	
	s. d.	s. d.	s. d.	s. d.
GRAIN, etc.				
Wheat—				
No. 1, N. Mt. 496 lb. f.o.b. Vc.	26 10	27 6		
Eng. Gaz. av. per cwt. (e)	14 7	14 7		
Flour, per 280 lb.—				
Straights, d/d London	25 6	25 6		
Barley, Eng. (Gaz., av., per cwt.)	21 3	20 9		
Oats (e)	15 2	15 5		
Maize, La Plata, 480 lb., f.o.b.	12 0	11 0		
MEAT —Beef, per 8 lb.—				
English long sides	4 8	4 8		
Imported hinds	6 0	6 0		
Mutton, per 8 lb.—English	4 4	4 4		
Imported	8 0	8 0		
Pork, English, per 3 lb.	8 0	8 0		
BACON (per cwt.)—Whits. outside	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	99 2	99 2		
Imported	90 2	99 2		
COCOA (per cwt.)—				
Accra, f.f.	35 0	35 0		
Grenada	75 0	80 0		
COFFEE (per cwt.)—				
Santos sup. o. & f.	Nom.	Nom.		
Costa Rica, medium to good	120 0	125 0		
EGGS (per 120f)—English	27 6	27 6		
LARD (per cwt.)—Imported	64 0	64 0		
POTATOES (per cwt.)—				
English, King Edward	7 0	7 0		
SUGAR (per cwt.)—				
Centrifugals, 98% prpt. shipm.	7 6	7 6		
c.i.f. U.K./Cont.				
REFINED LARD —				
Granulated, 2 cwt. bags	40 6	40 6		
Granulated, 2 cwt. bags, domestic consumption	31 2	31 2		
West India Crystallised	41 6	41 6		
TOBACCO (per lb.)—				
Indian stemmed and un-	0 5	0 5		
stemmed	1 10	1 10		
Rhodones, stemmed and un-	0 10	0 10		
stemmed	2 0	2 0		
TEXTILES				
COTTON (per lb.)—				
Raw, Mid-American	8 55	8 55		
Glaz. P.O.P.	12 00	12 03		
Yarns, 32's Twist	15 90	15 75		
" 40's Twist	17 15	17 00		
" 60's Twist (Egyptian)	26 20	25 95		
Cloth, 32 in. Printers, 116 yds.	s. d.	s. d.		
16 x 16, 32's & 60's	24 3	24 3		

(a) + 6s. per ton net paper bags, jute sacks, charged 1s. 9d., credited 1s. 6d. on return.

(d) Including import duty and delivery charges.

AMERICAN WHOLESALE PRICES

GRAINS (per bushel)	Feb. 4, 1941		Feb. 11, 1941	
	Cents	Cents	Cents	Cents
Wheat, Chicago, May	81 1/2	80	77 1/2	
Winnipeg, May	77 1/2	77 1/2		
Maize, Chicago, May	61 1/2	60 1/2		
Oats, Chicago, May	35 1/2	35 1/2		
Rye, Chicago, May	44 1/2	43 1/2		
Barley, Winnipeg, Dec.	45 1/2	45 1/2		
METALS (per lb.)—				
Copper, Connecticut	12 00	12 00		
Tin, N.Y., Straits, spot	50 35	50 25		
Lead, N.Y., spot	5 50	5 65		

METALS (per lb.)—cont.	Feb. 4, 1941		Feb. 11, 1941	
	Cents	Cents	Cents	Cents
Spelter, East St. Louis, spot	7 25	7 25		
MISCELLANEOUS (per lb.)—				
Cocoa, N.Y., Accra, Mar.	5 03	5 48		
Coffee, N.Y., cash—				
Rio, No. 7	5 1/2	5 1/2		
Santos, No. 4	8 1/2	8 1/2		
Cotton, N.Y., Am. mid., spot	10 87	10 81		
Cotton, Am. mid., Feb.	10 27	10 31		
Cotton, N.Y., Mar.	6 38	6 47		
Lard, Chicago, Mar.	6 37 1/2	6 37 1/2		

MISCELLANEOUS (per lb.)—cont.	Feb. 4, 1941		Feb. 11, 1941	
	Cents	Cents	Cents	Cents
Petroleum, Mid-cont. crude, per barrel	102	102		
Rubber, N.Y., smkd. sheet spot	19 1/2	20 1/2		
Sugar, N.Y., Cuban Cent., 96 deg., spot	2 95	2 97		
Sugar, N.Y., 96 deg., No. 4, f.o.b., Cuba, Mar.	0 60	0 66 1/2		
Moody's Index of staple commodities, Dec. 31, 1931=100	172 5	172 1		

PROFITS BY INDIVIDUAL GROUPS

YEAR 1940. (See Article on page 217).

Group	No. of Cos.	Total Profits		Net Profits	
		Previous Year	Latest Year	Previous Year	Latest Year
Breweries and Distillers	109	30,442,692	31,519,485	17,743,794	16,742,252
Canals and Docks	9	1,512,153	1,698,914	373,401	409,329
Electric Lighting, etc.	35	19,078,385	20,378,714	9,107,578	8,669,570
Financial Land and Investment	178	18,272,119	19,851,047	9,730,831	10,395,908
Gas	41	11,369,329	11,125,820	4,476,143	3,771,225
Hotels and Restaurants	23	2,458,364	2,074,172	1,406,506	1,057,954
Iron, Coal and Steel	147	38,271,581	42,202,426	21,639,292	21,312,468
Motor, Cycle & Aviation	53	14,463,891	18,486,115	6,834,148	6,535,442
Oil	18	28,840,055	23,559,626	18,241,166	11,149,362
Rubber	327	5,115,566	7,944,213	2,615,073	3,764,026
Shipping	34	10,194,115	11,301,573	2,637,040	2,739,871
Shops and Stores	76	26,436,335	27,596,485	13,618,720	12,590,869
Tea	102	4,825,730	5,564,927	1,798,894	1,774,912
Telegraphs and Telephones	8	4,349,710	5,185,357	1,816,406	2,294,735
Textiles	87	9,640,622	18,921,897	4,531,368	9,397,497
Tramway and Omnibus	25	8,058,525	8,475,421	3,432,504	3,500,643
Travellers	193	16,972,722	16,489,004	8,534,134	7,770,469
Waterworks	20	2,502,339	2,607,754	785,048	867,511
Building Materials	62	7,712,618	7,444,224	4,539,651	3,707,398
Food, Confectionery and Drink	75	9,240,708	11,998,610	6,051,650	6,392,972
Electrical Equipment	34	11,003,764	11,684,574	6,522,743	6,016,829
Newspapers, Printing, etc.	68	10,179,074	10,343,582	6,662,053	5,761,261
Tobacco	11	20,879,356	20,279,486	19,071,591	18,410,269
Warehouse and Trading	28	2,551,701	3,211,590	1,713,589	2,111,726
Other Companies	407	62,006,624	71,261,376	41,791,159	40,941,651
Total, year 1940...	2,280	377,077,678	411,186,392	216,335,826	208,086,040

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1941	+ or -	1941	+ or -
B.A. and Pacific	31 Feb.	1,785,000	+ 60,000	38,658,000	- 885,000
B.A. Gt. Southern	31	1,270,000	+ 901,000	62,759,000	- 6,250,000
B.A. Western	31	1,960,000	+ 14,000	21,640,000	- 2,084,000
Canadian Pacific	5	3,358,000	+ 226,000	18,038,000	+ 2,866,000
Central Argentine	31	1,774,750	+ 171,750	44,277,150	- 11,576,960

* Receipts in Argentine pesos.

UNIT TRUST PRICES

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

Name	Feb. 11, 1941	Name	Feb. 11, 1941	Name	Feb. 11, 1941
Sec'd Brit. Inv.	18/9-19/9xd	Nation'l D. Century	9/7-10/7	Key. Gold.	8/1-9/7
New British	12/4-13/4	Scottish	11/1-12/10	Br. Ind. 4th	10/6-12/6
Invest Tr.	7/10-8/10	Univ. End	10/1-11/6	Elec. Inds.	12/6-14/6
Bk. Insur.	14/3-15/6	Inv. Gen.	11/9-13/6	Met. & Min.	18/6-15/6
Insurance	14/3-15/6	Key. Flex.	9/8-10/9	Cum. Inv.	5/9-6/9
Bank	15/0-16/6	Key. Cons.	8/4-9/10	Producers	5/0-6/9
Scottish	10/6-11/6xd			Dom. 2nd	7/6

* Free of commission and stamp duty.

THE ECONOMIST

Vol. CXL

FEBRUARY 22, 1941

No. 5087

CONTENTS

LEADING ARTICLES

Cash and Caritas	233
The Scope for New Taxes	235
Colonial Black Spots	236
The Complexity of Libel	237

NOTES OF THE WEEK

The Turkish-Bulgarian Pact	238
Bribing the Yugoslavs	238
The State of the Larder	239
New Model Rationing	239
The Far Eastern War Scare	239
The African Front	240
Trouble in the Copperbelt	240
Industrial Mobilisation	240
No More Cotton Futures?	240
Organising Production	241
The Needs Test	241
Bombing Roumanian Oil	241
The Civil Estimates	242
The Cinderella of Transport	242
Shorter Notes	242

THE WORLD OVERSEAS

Neutral Switzerland	243
Danish Troubles	243
Foreign Shipping in China	244
America's New Budget	244
Less Port from Portugal	246

COMPANY NOTES

Imperial Tobacco Report	251
Gas Companies	251
Manchester Ship Canal	252
The Stock Exchanges	252
CAPITAL ISSUES	256
SHORTER COMMENTS	256

THE BUSINESS WORLD

LEADING ARTICLE

Continental Currencies	247
Larger Bill Allotment	248
Clearing Banks' January Figures	248
Currency in Occupied Italian Territories	248
Irish Banks' Returns	249

INVESTMENT NOTES

Three Per Cent. Maximum	250
Home Railway Earnings	250
India Vesting Complaints	250
Inter-Exchange Communications	250

INDUSTRY AND TRADE

Curtailment in Output of Consumers' Goods	253
Encouraging Wool Textile Exports	253
U.S. Aircraft Production	253
Lull in Shipping Losses	253
Dearest Tin	253
Milk Prices	254
Mr Middleton in Whitehall	254
COMMODITY AND INDUSTRY NEWS	254

COMPANY MEETINGS

CURRENT STATISTICS

Cash and Caritas

MR HOOVER has launched a new campaign for the feeding of occupied Europe and the passage, through the British blockade, of the necessary food-stuffs. The appeal, the arguments are not new. The problem was exhaustively discussed last summer. But now the winter has passed, conditions have deteriorated, the needs, it is claimed, are more urgent—and Mr Hoover's plans are more fully matured. There is nothing very new to say on the British side, but since memories are short and the humanitarian appeal of the Hoover crusade is strong, it is perhaps advisable to go over once again Great Britain's objections to this scheme, or, indeed, to any other scheme which might be devised in similar circumstances.

The Hoover plan, as outlined in a broadcast in the United States on February 15th, was obviously intended to give some safeguards against German exploitation. It is suggested that it should be tried out first in Belgium and extended only if it works on this small scale. The distribution of food would be through soup kitchens and a strong neutral body would oversee the work of distribution. Germany would be asked not to requisition any more food-stuffs from the countries thus served and both belligerents would have to guarantee the passage of food ships. Nor would the transaction be a free gift on the part of America. The foodstuffs would be paid for with the assets held by the various occupied countries in the United States and transport problems, too, would be met by using their immobilized merchant ships. Thus American objections to the possibility of American ships entering the prohibited war zone would be met. It is a plan of "Cash and Caritas."

What are we to say to Mr Hoover? Fortunately

he does not come to Britain in the guise of the humanitarian, pure and simple, who, while admitting all the British arguments about the unhappy political and strategic consequences of lifting the blockade, nevertheless hears the cry of the children and the despair of the mother and cannot think a day beyond their present misery. Mr Hoover's case, in spite of his appeal to the teachings of Christ and to "America's spiritual leadership," is not based primarily upon feelings of compassion. His scheme is based on certain realistic calculations—that Great Britain has some sort of responsibility for the people whom Hitler has enslaved, that widespread relief is necessary if starvation is to be avoided, finally, that his scheme would not impair Britain's war effort—and it is with these calculations, not with the desirability of relieving, other things being equal, the sufferings of Europe that the British Government takes issue.

Great Britain can accept no responsibility for conditions in Europe to-day. If Germany had not invaded Poland, Denmark, and the Western States, they would still be enjoying the prosperity that was theirs before September, 1939. And if Germany were to evacuate any of these countries to-day, the problem of their food supplies could be quickly solved. Germany has, moreover, an obligation in international law. By Article 43 of the Hague Convention of 1907, a power occupying a country is "under the obligation to take all measures possible to maintain public order and safety." In 1916 when Germany was seeking to justify the transference of French and Belgian civilians to work in the Reich, she pleaded that only thus could she feed them, and "there is no doubt that provision for the ensuring of the feeding of the population belongs to the work of maintaining

public order and public life." So much for international law, which is, of course, barely relevant to any discussion of the Nazi point of view but is significant in the light of Germany's great propaganda play on the extent to which the British blockade is a breach of international law.

The Nazis, both in practice and in theory, must carry the responsibility of feeding German Europe. Can they do it? Mr Hoover believes not, the British Government is confident that they can. Taken country by country, there seems unquestionably to be acute shortage in Poland, Belgium, and unoccupied France. In the other countries the shortage is felt in certain specified commodities—fresh fish in Norway, for example, or dairy produce in Denmark and Holland. But it is quite a different story to maintain that these shortages are inevitable and from there, by easy stages, to argue on to Britain's responsibility. In peacetime, Europe is largely self-sufficient in foodstuffs. Against 60 million tons of rye and wheat produced in an average year only 4 millions are brought in from overseas. Oats, barley, and maize to the amount of 5.5 million tons are imported against a production of 55 millions, while in potatoes and sugar self-sufficiency has been achieved. Only in fats is there some deficiency. The food is there, provided Germany will arrange for equitable distribution, a fact which is borne out by the Germans themselves. In a recent report of the *Institut für Konjunkturforschung*, Europe was described as being 90 per cent. independent of foreign supplies, while Germany was declared to be in a position to balance the surpluses of Eastern Europe against the deficits of the West by virtue of its consummate talent for organization and distribution.

Yet there is shortage. Poland is a mass of misery, conditions in Vichy-France are deplorable and in all the occupied countries rationing and declining standards are portents of worse to come. The explanation is simple. Germany has been steadily stripping these countries of their current food supplies and of their reserves. In most of them, at least a year's stocks had been laid by which, with the harvests of 1940, would, in spite of the damage of war, have kept them going until next summer. But they have been plundered to feed the invader. Norway has lost her fish supplies, Danish livestock has been slaughtered, 17 million lbs. of butter left Holland in one week, France is so divided that the hermetically-sealed frontier separates the rich farming country from the poorer unoccupied districts, and, not content with this, the Germans conduct forays into unoccupied territory and take a generous share of all the foodstuffs arriving at Marseilles. Once again, the question of the blockade must be thrown back on Germany. There need be no famine provided the Nazis accept their legal responsibility to share and distribute Europe's supplies.

Of the two, distribution is the real problem. South-Eastern Europe has a surplus of foodstuffs. But to-day Hungarian wheat can reach Belgium only across the railway system of Western Germany, which is already one of the worst bottlenecks in the German war effort and where wartime demands have led to a severe shortage of railway stock. Any scheme of outside provisioning would not only relieve the Nazis of the necessity of finding the food—which is no great problem—but also of diverting carrying space from military purposes. The Hoover scheme would reduce the strain on Germany's wartime transport system, in other words, it would directly increase Germany's military efficiency.

Mr Hoover's third point—that food relief as organised by him would not damage the Allied cause—is equally controversial. We need not doubt Mr Hoover's sincerity when he states his distaste for totalitarian rule and his support for the free peoples—even though he has consistently opposed the extension of American assistance to Great Britain. He no doubt genuinely believes that to take over some of Hitler's work in feeding the Nazis' subject peoples would in

no way impede a British victory. Yet on almost every showing the facts are against him. There is, first of all, the undoubted fact that foodstuffs are convertible into materials of war—potatoes and wheat provide fuel alcohol, fats give glycerine for high explosives, milk can be used to make casein for plastics. The British people know quite well that for years in Germany Goering's choice of guns or butter has meant that the butter has gone to feed the guns, and they have absolutely no guarantee that the process will not continue now that Hitler has all German Europe from which to scour supplies.

Foodstuffs affect the question of man-power. Before the war, a labour force of 9,500,000 people was necessary to feed the Germans, whereas Great Britain was fed by about 3,000,000 workers in agriculture, in fishing and in the export industries that paid for imported food. The difference is a difference in industrial strength which Germany is trying to make good by bringing in thousands of Poles, Czechs and Italians to labour in the fields, thus setting free Germans for the armies and the factories. If a relief system were to solve the problem of food supplies, many thousands more could be transferred from the fields and the scales of man-power would be tipped down even more heavily on the side of the Nazis. And apart from this differential factor, it would be folly to relieve Germany of a duty which in her own interests she will ultimately be compelled to fulfil. Hitler has made it clear that German Europe is to work for the Reich. He has spoken of the European labour force of 70 millions. But if this labour force is to work, it must be fed, and the Nazis cannot hope to keep a vast centralised "prosperous" economic system in gear if the men who work it are exhausted with starvation. They are already negotiating with Russia for extra grain for Belgium; there is no reason to suppose they will not extend these negotiations once it is clear that the job is not going to be done for Germany by a system of outside relief organized from America.

There are objections, too, to the details of Mr Hoover's scheme; among them, transport is by far the most serious. Distribution of the food supplies in the occupied countries would, of necessity, be the task of the relief organisations. But distribution is one of Germany's principal internal economic problems which blockade and bombing are designed to intensify. Transport is also Great Britain's most pressing problem, not internal transport over a damaged and unco-ordinated Continental railway system, but across the seaways of the Atlantic under the constant menace of the U-boat and bombing plane. If American ships are not to bring the food, then either Allied shipping must be used—which is inconceivable—or neutral shipping which both Britain and her friends in America hope may be used to make good her heavy losses under submarine attack. Mr Hoover's method of envisaging transport completely overlooks the fact that Britain, too, is blockaded for her life and that her continued existence may well depend upon the ships which he would divert from supplying Britain in order to feed German Europe.

These, then, are the powerful arguments with which the British people meet the Hoover scheme. Not only do they appear unanswerable, but one of them at least applies to any scheme of relief, however carefully it might be devised. Britain has no desire to damp humanitarian enthusiasm and provided on the one hand that the enemy were not helped, however indirectly, and on the other that no extra calls were made on transport—the world's shortest commodity—then all objections would be withdrawn. Under the first heading might fall schemes of relief drawn up to help, say, the Spaniards, the Irish, or even the unfortunate people of Britain, for in these three cases, there is a reasonable certainty that no food would be passed on to Germany. But it is difficult to see how any scheme operating from the United States could overcome the transport problem—which is and will remain the chief obstacle to any work of European relief.

The Scope for New Taxes

PREVIOUS articles in *The Economist* have given reasons for believing that the "gap" in the Budget next year—that is, the amount which will have to be covered either by increased taxation or by additional savings or by the pure creation of credit—will be something of the order of £150 millions a month. To close completely a gap of these large dimensions is clearly an impossible task. Least of all can taxation be expected to increase by such an amount, which is more than its whole present yield. But the taxpayer cannot hope to escape from bearing his share of the new effort that must be made if the volume of credit-creation—the "predisposing cause" of inflation—is to be kept down to the unavoidable minimum. It has been suggested in one previous article that the yield during next year of the present taxes can be put, with the aid of a certain amount of optimism, at £1,700 millions. It might, therefore, serve as an immediate objective of tax policy to raise another £800 millions and bring the figure up to £2,000 millions, which would still be considerably less than half the expenditure.

There is doubtless a great variety of more or less minor ways of raising small sums, but to provide anything like an additional £800 millions, the search can, for practical purposes, be limited to those that yield scores, if not hundreds, of millions a year. One such which has been advocated in Labour circles is a stiff tax on the capital value of property. The arguments with which it is put forward make it clear that this form of capital levy is intended to protect the community against the growth of wartime fortunes which has in the past been inseparable from inflationary finance. It may therefore best be discussed under the general heading of "taking the profit out of inflation," which is intended for a later article in this series. In the meantime, it may be briefly remarked that incomes from property have not escaped the wartime increases in income tax, surtax and death duties, and that it would be difficult to convince the public of the equity of aiming a heavy discriminatory tax at all property owners (most of whom will suffer from inflation) in order to hit the minority who are enriched by the war.

Apart from a property levy, there would seem to be two large sources of revenue open to the Chancellor. The first is the taxation of expenditure on services. It has frequently been pointed out in these columns that services have been generally neglected in British fiscal policy. Except for entertainments, they attract no peace-time taxation comparable to the customs and excise duties levied on goods. In wartime they have escaped both limitation orders and the Purchase Tax. But there is a rich field for the tax-gatherer here. According to one accepted estimate, the British public spent almost £900 millions in 1937 on services, excluding entertainments, rent, rates and taxes. The largest constituents of the total were travel, domestic service, public utilities, hotels and restaurants. Even if a substantial margin be left for categories that would have to be exempted (medical service, for example) and for wartime decreases, it should not be a difficult task to raise an annual revenue of £150 millions from a stiff turnover tax on service expenditure. There would unquestionably be administrative difficulties, but there is no obvious reason why they should be any greater than have been, and are being, surmounted in the case of the Purchase Tax.

The second source from which a considerable new revenue can be drawn is the smaller incomes, those ranging from, say, £250 for a single man to £800 for a family, which are too large to be seriously affected by indirect duties and too small to be hard hit by income tax. It is gradually coming to be realised that these

incomes escape comparatively lightly from the working of our existing tax system; in 1925-26, according to the Colwyn Committee's estimates, a married man with 3 children paid 11.9 per cent. of his income in taxes if that income was £100 (wholly earned) and only 6.2 per cent. if his income was £500; at £1,000 the proportion had risen again to 11.0 per cent. What is not so well appreciated is that this disproportion has been growing worse. The reason is not far to seek. The main reliance of the Exchequer is on indirect taxes, which must be levied at a flat rate and therefore cannot hit the middle incomes without crippling the poor, and on direct taxes which, so long as they are individually assessed, cannot embrace many of the middle incomes without imposing an impossible labour on the assessors and inspectors. During the period of rising tax burdens in the last five years, the procedure has been, in general, merely to increase the existing taxes. The curious shape of the tax curve, which imposes heavy burdens at each end of the income scale but descends to a pleasant valley for the middle incomes, has not been fundamentally altered; only the steepness of the valley walls has increased.

If the comparative neglect of these incomes has been due to the structure of the existing system of taxation, it follows that something new is required if the oversight is now to be made good. A new tax designed for this purpose must necessarily be a direct tax—that is, proportioned in some way to the income—if it is not to hit the smallest incomes even harder than those it is intended to affect. On the other hand, if it is to be administratively practicable, it must avoid the detailed examination of individual incomes—that is, the proportion to be levied must be fixed and there can be no allowances for different classes of taxpayer. In short, what is required is a flat-rate tax (say of 2s. or 3s. in the £) to be deducted at the source from all incomes. There could be—and should be—an exemption of 30s., or 40s., or 50s. a week to spare the lowest incomes, and the special case of the family could be met by a scheme of family allowances to be financed out of the yield of the tax. But any such tax must be of the simplest possible structure if it is to be workable.

This proposal, it will be recognised, is closely similar to that advocated a year ago by Mr J. M. Keynes. But the fate of Mr Keynes's proposals might be taken to show that even the attractions of "deferred pay" were insufficient to offset the dislike felt for a new tax specifically designed to fall on "the workers." This would seem to suggest another approach. The sort of tax that has been suggested is very closely similar to the original income tax; the "standard rate" of income tax, which is an impediment to it in its present-day guise of a progressive tax, is a relic of its origin. The political task of imposing a new tax of this character might be considerably less if the income tax itself (which is already very largely deductible at source) were adapted for this purpose, while the surtax took over the task of applying progressive rates to the incomes now subject to income tax.

It would be a mistake, however, to quibble over methods if the principle of a much more widely ranging direct tax, levied at a flat rate and deducted at the source, could be accepted. There can be little doubt that such a tax could bring in very substantial amounts—Mr Keynes's tax was to bring in a net amount of £500 millions a year. The two suggestions made in this article—a turnover tax on service expenditure and a direct tax on the middle incomes—could therefore be made the means of producing at least the £300 millions or so needed to raise the revenue to £2,000 millions. Until devices of this nature have been fully exploited, it cannot be said that the resources of taxation have been exhausted.

Colonial Black Spots

THE economic effects of the war have been very different in different parts of the colonial empire. Malaya, for instance, is enjoying an unprecedented boom, thanks to its rubber and tin; its total exports last year rose to the high figure of \$1,128 millions, compared with \$750 millions in 1939. Ceylon is fairly prosperous from its tea and rubber, and most of the sugar colonies are, at least, no worse off than they had been before the war—Trinidad and British Guiana are helped by their oil and bauxite respectively. Northern Rhodesia should be benefiting from higher sales of copper, but the present system of levying taxation does not allow the full benefit of the mines' higher profits to accrue to the colony's exchequer; instead, a large portion comes to the United Kingdom. In the case of the more unfortunate colonies, Government purchases have, it is true, prevented them from feeling the worst effects of the war, but the assistance given has not always been enough to prevent a fall in an already very low standard of living. Those colonies that have been hit by the war have been hit hard, and have been hit in their most vulnerable spot.

In his statement on colonial economic policy on December 17th, the late Lord Lloyd mentioned five "black spots"—West African cocoa and palm products, Pacific copra, Jamaican bananas, Palestine and Cyprus citrus, and East African coffee—but he claimed that in all these cases the Government had found, or was finding, financial means of saving the colonies concerned from grave suffering. What does this help amount to? Last year, the whole cocoa crop of the Gold Coast and Nigeria was bought at a price which was about £4 a ton higher than the price prevailing before the war. But the pre-war price was a depression price—lower than the 1931 average—so that the small increase could not be considered generous. Moreover, as sufficient markets could not be found, the mid-crop had to be burnt, a destruction which caused great bitterness among the growers, who claimed that cocoa was stored in the last war for two years, and who did not fail to point out that the deliberate waste of foodstuffs is punishable in Great Britain. This year, however, the bitterness has been intensified, because, without consultation with the producers, the purchase price of the crop has been reduced by 20 per cent.

Nor was the blow softened by the tactless language in which the announcement of the cut was made. After stating that the British Government had incurred an appreciable loss on the 1939-40 crop, and expected an even heavier loss on the present crop, the official notice went on to say that it had consequently been found necessary "to limit the liability undertaken in the cocoa purchasing scheme by reducing the price to growers. . . . The Government of Nigeria is again very conscious of the generous way in which His Majesty's Government has come to the assistance of cocoa producers, and has informed His Majesty's Government of its grateful acceptance of the new scheme. The Government is confident it will receive the loyal co-operation of the whole African community, growers, shippers, and others, in making the scheme work smoothly, and that all will refrain from criticising details of a plan which at the expense of the British taxpayer confers so great a benefit on the cocoa industry of Nigeria." Though this announcement appeared in the *Nigeria Gazette*, it is surely not fanciful to feel that it could only have been phrased in Whitehall. Moreover, the controlled price of West African cocoa in Great Britain will be raised by £10 a ton from March 1st. It does not appear, however, that the increase will be used to pay a higher price to the West African producer. It

will be retained by the Ministry of Food—in other words, will accrue to the British taxpayer, who is alleged to be conferring such a benefit on Nigeria.

Even if the cocoa purchase scheme were entirely satisfactory, parts of Nigeria and Sierra Leone which are dependent on the export of palm produce would still be in difficulties. Before the war the two colonies exported about 400,000 tons of palm kernels a year, whereas imports into Great Britain are now at the rate of 250,000 to 300,000 tons a year. The British Government is, therefore, only buying an amount equal to Britain's current needs—the price was reduced by £1 a ton last July—and the whole of its purchase is being made in Sierra Leone and in those Nigerian provinces which are entirely dependent on the sale of palm produce. In other provinces, a ban has been placed on exports as their farmers have an alternative means of livelihood; and they are being encouraged to grow cassava, as Britain is prepared to buy 10,000 tons a year for war purposes. Encouraging the natives to grow alternative crops is, of course, a sensible policy, for peace as well as war, but it is a pity the Government could not see its way to purchase their palm produce, or give them some other financial assistance, for one year until the new crop is ready. As it is, it has been estimated that the growers concerned will lose about £500,000.

The second of Lord Lloyd's "black spots" was Pacific copra. He announced that those islands and parts of Fiji, which are actually dependent on copra, will be subsidised, and as the total sum involved is comparatively small, it may be assumed that the subsidy will give them almost full compensation for their lost markets. But Jamaica's banana industry is as difficult a proposition as West Africa's cocoa. After the ban on imports into Great Britain had been imposed, it was announced that the Government would buy, in Jamaica, a maximum of 12 million stems at 3s. a bunch. In previous years, about 20 million stems were exported, and 4s. 6d. a bunch was considered a fair price. To help to dispose of the crop a committee has been appointed which is investigating the possibility of by-products and of bigger exports to the United States and Canada. But it is still likely that Jamaica will lose £1-1½ millions on her bananas without taking into account the unemployment among packers and transport workers.

Statistically, coffee is in the worst position of all. According to figures given by the chairman of the Kenya Coffee Board, even in peacetime world consumption only amounted to one million tons, against a production of 2½ million tons. The United States, which accounts for about 85 per cent. of world consumption, cannot cope with more than Latin American surpluses; a prohibitive consumption tax has been imposed in Canada; the South African market is small; Australia is obtaining supplies near at hand from Netherlands India; and the United Kingdom has stocks equivalent to two and a half years' consumption. East African coffee is, therefore, practically unsaleable, and the only consolation of the growers, European and African alike, is Lord Lloyd's statement that the Government "may have to buy and store" some of their coffee.

But on the whole the blackest spot is Palestine citrus. Total citrus exports amounted to about £P4 millions before the war, of which oranges accounted for about £P3½ millions, out of a total export trade of £P6 millions. Yet, though the growers have proposed that the British Government should buy the whole crop on the trees at about £20 an acre, so far no help has been forthcoming. In the House of Lords, Lord Lloyd said that certain help would be given to Cyprus, which is faced with the same difficulties as Palestine, but, when asked what the Government proposed to do

about Palestine citrus, he was strangely coy, though it has since been announced that proposals for assisting the industry are under urgent examination—now, when the normal peak of the citrus season has already been reached. It is true that the troubles of Palestine and Cyprus are not due to the closure of markets, since for fruit the United Kingdom is by far their biggest customer, but solely to lack of shipping, and that unlike West Africa they have the prospect of fairly normal exports before the war is over. But unless the Palestine growers are given immediate help, there will then be little fruit to export, for they will have to let their groves go out of cultivation, and it takes five years from the time of planting for an orange tree to bear fruit.

This loss in colonial export income is made more serious by the rise in the cost of imports. Lord Lloyd admitted that for West Africa the rise was about 80 per cent.—a reasonable estimate for the whole colonial empire—but he claimed that the things which West Africans would consequently have to do without were semi-luxuries. Yet, even if it were fair to call tinned meat and fish, flour, piece-goods, and household requirements semi-luxuries, curtailing imports only aggravates a colony's financial difficulties, for customs duties make up by far the greater part of colonial revenue, which in the vulnerable colonies is consequently dwindling noticeably.

Even from the foregoing very brief summary, it is apparent that the Imperial Government has not been neglecting the "black spots" of the colonial empire. But it can legitimately be asked whether more should not be done. The principle that the

colonial empire must be self-supporting was abandoned a year ago, when the Colonial Welfare and Development Fund was set up. It is impossible in wartime to carry out the more ambitious parts of the new policy because of the difficulty of supplying the necessary capital goods. But the Fund might very appropriately be used, if not for new schemes, at least for preventing any of the colonies from being forced to make cuts in their already small programmes of social services and economic development. Nowhere has the King more loyal subjects than in the Crown Colonies; they offer what they can in men, in materials, and in money. Up to the end of 1940 their cash and interest-free loans for war purposes amounted to £18½ millions—more than three times as much as the annual maximum to be spent on the colonies out of the Fund if it were in full operation. There is surely an obligation on the British taxpayer to see that the colonial peoples do not suffer more than is absolutely unavoidable in a war about which they were not, and could not be, consulted. The sums involved are not enormous. In 1936, the total value of exports of "black spot" commodities—that is, coffee from East Africa, cocoa and palm from West Africa, copra from the Pacific Islands, bananas from Jamaica, and citrus fruit from Palestine and Cyprus—was less than £24 millions, and the special assistance need be less than this because some part of these exports will, of course, continue in wartime. For an annual sum of money equivalent to the cost of running the war for not more than two days, the colonial "black spots" could be very largely removed.

The Complexity of Libel

IN normal times libel actions are tried with a jury; and the uncertainties of libel law and practice are often put down to the eccentricities of jurymen. To-day, in the absence of juries, verdict and damages are determined by a judge *per se*, and so by comparing present with past results we should be able to see how far jurymen have in fact been responsible for what is generally thought to be a queer state of affairs. And so far it looks as though the judges will be rather less generous in assessing damages but not less severe in their reading of an alleged libel.

A year ago *Reynolds' News* in a literary notice said that the Sitwell brothers and sister had "pushed themselves by energy and self-assurance into a position which their merits could not have won, but now oblivion has claimed them," and on the strength of these words, energy, self-assurance, oblivion, *Reynolds' News* appeared as defendants in a libel suit while the plaintiffs were Edith and Osbert Sitwell of Renishaw Hall and Sacheverell Sitwell of Towcester.

Towcester! The very word is like a bell. It tolls us back from 1941 to 1828, to another dispute between two writers whose names—and pray God the comparison be not defamatory—are not less widely known than the Sitwells' and will probably be remembered (if with pleasure when oblivion really has claimed (if ever it does) the Sitwell family. The writers' names were Mr Pott and Slurk, and in the Saracen's Head in Towcester they had their historic row in the presence of Mr Pickwick's party, with nothing barred—neither ridicule nor hatred nor contempt—a highly defamatory affair. But, deplorable as it was, it did beget one sentence of golden commonsense. It came from Mr Slurk, tence of golden commonsense. It came from Mr Slurk, who, taunted by a charge of resorting to the law courts, declared that the laws of his country in such a case would never be appealed to by him. And those who think that litigation over trifles is a waste of a man-power may feel sorry that in the middle of a desperate war the Sitwells did not sit at the feet of Mr Slurk.

The judge, in awarding 1,000 guineas damages

between the three plaintiffs, held that the words were defamatory and decided that you defame a writer if you say incorrectly that he reached a position beyond his merits by energy and self-assurance and that oblivion afterwards claimed him. His lordship was, of course, right in his judgment, but the layman unaided would not necessarily have reached the same conclusion, either on the ordinary meaning of the word or on its commonest legal meaning. Defamation in its commonest legal meaning consists of using language calculated to bring a man into ridicule, hatred or contempt. That is the test. Is he covered with ridicule, assailed with hatred, spattered with contempt? Take the words one by one. Does a reader of *Reynolds' News*, when he is told that the Sitwells reached their position through energy and self-assurance rather than by merit and that they are now forgotten, does he break into hearty laughter at the expense of the Sitwell family? If he has hitherto been friendly to the Sitwells or indifferent to them, does he now begin to hate and detest them? If he has formerly looked upon them with respect and tolerance, does he now think of them as despicable and regard them with contempt? Can a charge of energy, self-assurance and oblivion really produce these dynamic changes in the readers of a Sunday paper? Apparently they can, but a mere superficial student of human nature might be inclined to think it likely that a conversion so sudden, so drastic, so complete, would call for a more powerful impulse than these three words in a short literary notice.

This ridicule, hatred and contempt type of libel makes the most frequent appearances in Court, but in such cases as the Sitwell action it is possible for a statement to be defamatory without making the libellee hated, laughed at or despised. When you are dealing with a man in the way of his lawful profession and convey a reflection calculated to disparage him therein you are, by law, defaming him even though you stir up no ridicule, no hatred, no contempt, and the defamed party, without proving any loss resulting from

your statement may be awarded any sum by way of damages. If, for example, you say of a professional singer that when he was taking part in an oratorio he made use of what is called the intrusive H; if you accuse him of saying Pi-hilate, when he ought to have said Pilate, and if the singer satisfies the Court that he actually did say Pilate and did not say Pi-hilate, then the singer may get damages in four or (if the jury likes) five figures, because he has been disparaged in the way of his profession.

This type of libel is in its nature closely akin to the trade libel which consists in belittling the quality of the goods sold by a firm or a company. Instead of saying that a company sells poor stuff, you say that the writer writes poor books or that the painter paints poor pictures or that the musician makes poor music. But in the result of your libel there is this very considerable difference. The company, before it can be given damages, must prove that it has suffered a loss from the libel and indicate the extent of the loss. The private person may be unable to prove a loss yet secure enormous damages. In this Sitwell case, no evidence seems to have been brought to show that any harm was actually done to the plaintiffs, and it is unlikely that a ten-line notice in *Reynolds' News* would lose them readers or impair their future contracts with publishers or make them less welcome clients to their literary agents. But all that is beside the point. The law, because they are individuals following a profession, allows them unlimited damages without any proof of loss, damage or injury. The rights of a company selling goods are limited to its proved loss. The rights of an individual following a trade or profession are at large.

These subtle distinctions—libels actionable *per se* and libels calling for proof of special damage—libels which are not libels unless they provoke ridicule, hatred or contempt, and libels which are defamatory

without any of these consequences—libels which are trade libels and libels which reflect on a man in the way of his lawful trade, profession, business, office or calling—produce in the aggregate a law of such complexity that the writer, the editor, the publisher, the printer and the newsagent, all of whom are equally liable for damages, are reduced to a state of confusion in which almost any sentence if stared at long enough looks like a dangerous libel. In this Sitwell case, for example, the printers were among the defendants and can be called on for the whole of the damages. To avoid the pitfall the manager of the printing works would have had to make up his mind, and make it up rightly, on the following points:—

- (1) Whether the sentence was true in fact.
- (2) Whether the sentence if not true was calculated to bring the Sitwells into hatred, ridicule or contempt.
- (3) If the answer to question 2 was "No," was the sentence nevertheless a libel because it reflected on the Sitwells in a way calculated to disparage or injure them in their lawful profession?
- (4) Was the sentence fair comment?

The same questions must be posed and answered in regard to every word in every book and paper which they handle, by the publishers who issue the printed matter from headquarters and by the newsagents who sell it for a penny or twopence across the suburban counter.

This law of libel, grown up through centuries, in which at times it has been a crime and at times a tort, is in truth hopelessly overgrown. It needs to be heartlessly pruned, to be re-cast and to be simplified, and the first step of all is to cut down to a reasonable limit the present right of claiming unlimited cash without proving one farthingsworth of cash damage.

NOTES OF THE WEEK

The Turkish-Bulgarian Pact

Short of any sensational last minute change of policy on the part of King Boris and his Ministers, it now seems certain that a German occupation of all Bulgaria is only a matter of time—possibly of a very short time. The number of Germans in Bulgaria is steadily going up. The airfields are already controlled by "civilians," the disposition of the Bulgarian Army—which is concentrated on the Turkish frontier—is evidence of the complete connivance of the Bulgarian General Staff in the sacrifice of their country and the massing of German armies on the Rumano-Bulgarian frontier completes the picture of a small country slipping away into the twilight of Nazi servitude. It is against this background that the new Turco-Bulgarian Pact must be set. Both sides abandon "aggression" in their dealings with each other and agree that the new Pact alters none of their existing obligations to other Powers. On the Bulgarian side, the Pact is taken to mean that if, or rather when, Germany completes her occupation, the Bulgarians will not join the *Reichswehr* in an attack on Greece or Turkey. Since, however, a Bulgaria run by the Nazis would have virtually no say in its own affairs, it is difficult to see why the Pact is taken to contribute anything to Balkan peace save that Bulgaria will not do anything aggressive until she is wiped out. On the Turkish side, the Pact also appears to be limited to the period between its signature and Germany's take-over of Bulgaria. Turkey does not bind herself to abstain from action if Bulgaria is invaded, and although, equally, she is not bound to take action, she is not committed to allowing the Germans to push forward to Salonika without giving any assistance to the Greeks. Turkey is unwilling, perhaps on the analogy of the Allies in Belgium, to leave her prepared positions, push forward beyond the Rhodope mountains and there attack an oncoming German army. This does not mean that

a German advance beyond Bulgaria would be allowed to go by default. Satisfactory staff talks have taken place between the British and the Turks at Ankara, and one of the clauses of the Ankara treaty commits Turkey to giving "all aid and assistance" in her power should Britain be involved in war as a result of her guarantee to Greece. This clause may still be presumed to be one of those obligations which the Turkish-Bulgarian Pact does not modify.

Bribing the Yugoslavs

After weeks of resistance to Italian counter-attacks the Greeks appear to be taking the initiative again. The number of prisoners taken has risen, mountain heights have been taken in both the southern and central sectors of the front. Air activity, too, has developed and the Allies claim over thirty enemy planes shot down for a loss of a mere three on their side. Nevertheless, the general Balkan situation is developing unfavourably for the Greeks. So far they have enjoyed the advantage of being able to test themselves man for man against the Italians—with the results we already know. Now it looks as though Germany is determined to bring the Italo-Greek conflict to an end, either by the threat of invasion or by invasion itself. If possible Hitler would prefer to achieve his ends without fighting, for all his objections against turning his Balkan market garden into a field of war still hold good and it is significant that he is attempting to achieve his ends by indirect methods of which the summoning of the Yugoslav Prime Minister and Foreign Minister to Berchtesgaden is only one example. The Yugoslavs have been reticent about the results of the meeting, but it appears that Hitler offered

them a substantial bribe in the shape of Greek and Albanian territory in return for minor frontier rectifications with Hungary and Bulgaria and a general permission to Germany to take what steps she thought fit to end the war in Albania. The prizes offered were probably Northern Albania and the much coveted town of Scutari—captured in the first Balkan war but surrendered as the result of Austrian and Italian pressure—together with an Aegean corridor at Greece's expense. The Yugoslavs have apparently refused the bait and the army, at least, has lost nothing of the old Serb fighting spirit and threatens, behind the line of the Save and the Danube, to resist any German thrust by force of arms. Hitler may, therefore, transfer his attentions entirely to Bulgaria where he has found greater compliance. By doing so, he would undoubtedly kill the Yugoslav bird with the Bulgarian stone. Yugoslavia must therefore wait passively on Bulgaria's reaction to the crisis. It is clear that neither has made the slightest attempt to withstand the German threat by joint action.

The State of the Larder

On Tuesday, Lord Woolton told the House of Lords what the entire population has known for a long time. He was frank at last. He is "greatly concerned." There is a shortage, he said, of bacon, eggs, cheese and meat; supplies of bread, potatoes, many vegetables, oils and fats are sufficient; but there must be "much greater restrictions." The real question is whether the greater restrictions should not have come much sooner. The Minister still says that the choice was between meat and Bardi, and it must be admitted that the diversion of merchant ships for military purposes is inevitable and desirable, even at the expense of food imports. But at the time when the meat and other ships were presumably being first diverted to Egypt, Lord Woolton was raising the meat ration from 1s. 10d. to 2s. 2d. The time is long past for speeches "preparing" the people for cuts in their feeding. They know cuts are necessary; they have as wary an eye as any Minister on U-boats, bombers, raiders, and the approach of spring; and they know that the shipping losses, though they have fallen considerably, are still too high. The important thing is to make the cuts big enough now to prevent their having to be much bigger later on. Leniency is a sin in war-time government; it spells "too late and too little." The reduction of rations to the Forces is justified by the tremendous waste of food at camps and barracks—though it has still to be remembered that troops cannot normally eke out their allocation with unrationed extras. The elimination of "additional" and redundant feeding at restaurants and elsewhere may very well have to come because of sheer scarcity. If this is likely, it should be done now—not later. It is surely not the place of the Minister of Food to blame people for "eating a great deal more than is necessary," for he has the remedy in his own hands.

New Model Rationing

New forms of food control are in the air. Nothing is settled yet and it would be rash to prophesy, but the Ministry of Food itself has let it be known that the reaction of some of the less scrupulous members of the public—both sellers and buyers—to moderately short commons has "deeply hurt Lord Woolton's feelings." The trouble is, of course, that, with unequal incomes and an unequal and shifting distribution of the population, a policy of food distribution—compounded in part of rationing, in part of price control, dissociated from rationing, and in part of sheer shortages, which means that the price mechanism effectively reserves what there is for the moneyed—does not produce results which are socially ideal. Outside the sphere of rationed foods, there is no guarantee that true needs will be satisfied or that an inflationary pressure on the price level will be avoided. Yet, not all foods are suitable subjects for rationing. Thus, the problem is not easy to solve and it was even rumoured that there was at least a chance that the Ministry of Food would take the bull by the horns and limit the total weekly expenditure per head on food to a fixed sum for everybody, at the same time continuing to ration certain basic foodstuffs on the old model. There seems little doubt that such a limitation

would be both the simplest and most effective method of putting an upper limit to total expenditure on food and counteracting the present upward trend of prices. Selection of the weekly allowance would remain a matter of some difficulty and be susceptible to adjustment; presumably also an extension of rationing would have to be envisaged, since the aim is to equate monetary demand as a whole to the total supply of edibles. Moreover, the matter is complicated by the question of restaurant feeding and the sharply declining cost per head of feeding as the size of the household increases. But these are administrative difficulties rather than difficulties of principle, depending, in the first place, on whether or not there are sufficient resources to subsidise the feeding of the large household by refraining from cutting down the money allowance per head in their case; and, in the second place, on whether the allocation of food to restaurants is considered as separate from, or as an integral part of, the general rationing scheme. Finally, this plan to limit expenditure could not be considered in isolation from the distribution of other goods and services. If there is less money to spend on food, there will be more available for taxation, for saving—or for spending on clothes and amusements. Only concerted Government action could ensure that it would not simply be diverted to other consumption.

The Far Eastern War Scare

The war scare in the Far East is subsiding—in a manner which is, on the whole, advantageous to the friends of peace. Whether or no Japan set the rumours spreading which were responsible for the recent tension, it is certainly the Japanese Government that is responsible for any of the withdrawing that has been done. The attitude of the democracies has been commendably firm. Australia called a War Council and despatched troops to Singapore; Britain mined the waters of Malaya; President Roosevelt met the new Japanese Ambassador's fervent expression of hopes for peace with a firm reminder that improvement, if it were to come, was Japan's responsibility; in other words, that a better understanding could be brought about, provided Japan modified her provocative East Asian policy; and, finally, the Thai government issued a statement reaffirming Thailand's friendly relations with Britain, claiming that nothing in their negotiations—under Japanese mediation—with Indo-China had modified their attitude of strict neutrality, and flatly denying that any bases had been ceded to Japan. This show of firmness has had its results. The Japanese Government has interpreted the signs correctly, and Mr Ohashi, the Deputy Foreign Minister, was put up to express the conviction that if the Japanese resorted to military action in pursuit of their aims it "would result in their destruction." Nevertheless, the aims are not abandoned. To Japan the "South Seas" are now what the European *Lebensraum* is to Germany, and, as Hitler has shown in the Balkans, there are more ways of subduing a people than by merely launching against them a frontal military attack. It is significant that Nazi technical commissions are now installed—under the terms of the Tripartite Treaty—in Japan. The Japanese were ever apt pupils, and there is a number of things about economic

Every facility for
BANKING
business on
SWEDEN

**SKANDINAVISKA
BANKEN**

Central Offices at Göteborg, Stockholm
and Malmö

CABLES (FOR ALL OFFICES AND BRANCHES)
SKANDINAVBANK

penetration and diplomatic pressure which they have yet to learn from their "progressive" Western allies. It will not be the first time that the methods of Europe have been transplanted *en bloc* to the Far East.

* * *

The African Front

The centre of interest in the African campaign has swung for the time being to the East African front. In Eritrea the investment of Keren continues. The town has formidable defences, and a frontal attack might prove to be a hazardous and costly business. Fortunately, British forces advancing from Karora are now within 40 miles of Keren, and should soon be in a position to attack the town in the rear. Keren is undoubtedly the Italians' strongest line, thanks to its natural cliff defences, and once this line is pierced an advance to the Red Sea should not be long delayed. Further south in Abyssinia, while British forces are operating in the Gondar area, the Abyssinians have scored their first really notable success by forcing the Italians to evacuate Danghila, in the Golljam district. If patriot and British troops in this area can get into direct contact with each other, it looks as though the Italians will be forced away from Lake Tana and all the surrounding districts. Meanwhile, R.A.F. battering of airfields and enemy troop concentrations continues. The most sensational successes, however, have occurred in the extreme south of the battle zone, where the South Africans have advanced into Italian Somaliland as far as the Juba river, taking over 10,000 square miles of enemy territory and occupying Kismayu, the second port of Somaliland and a comparatively important air and naval base. Only from the Libyan front is the news scanty, although the Free French are creating havoc in the south round Kufra, and there are reports of important bodies of Senussi tribesmen rallying to the Allied cause. From the main front there are no official reports, and observers are left free to speculate whether General Wavell has decided to push on along the Libyan coast or is seeking new spheres of action. The landing of parachute troops in Southern Italy cannot, on any interpretation, be construed as a preliminary to invasion. It was remarkable as the first public essay in a new technique, but its objectives appear to have been limited to the acts of sabotage which were stated to be its original purpose. There are, of course, no means of gauging the parachutists' success—or lack of it. But it is significant that Rome closed Southern Italy to foreign correspondents about the same time and that railway dislocation on a large scale was reported from Naples, in the west, as far as Brindisi, in the east. Since the British public has no official information, it can afford itself the luxury of believing the best.

* * *

Trouble in the Copperbelt

Until the full report of the Commission appointed to inquire into the disturbances in the Northern Rhodesian copperbelt last April is available, comment on its findings must be suspended. But, from the recommendations which have been published, it is clear that the fundamental causes of the trouble are nothing new. The breakdown in tribal life resulting from the drift to work in the mines and towns, and the consequent growth of a dissatisfied African proletariat, have produced problems in Central Africa which cannot be solved by indirect rule alone. Nor can they simply be solved by higher basic wages, which is the first of the Commission's recommendations, and has been accepted by the Northern Rhodesian Government, after consultation with the mining companies. Proper housing, improvement in diet, welfare facilities, machinery for collective bargaining—all these recommendations reveal gaps that are to be found all over the colonial empire; and they are gaps which can never really be filled while local financial resources remain so inadequate. Between them, the mining companies and the Northern Rhodesian Government have agreed to carry out the social and welfare recommendations as far as is practicable, though, in view of the principle of British colonial policy that tribal life must be preserved, a caveat has been entered that the Government is not committed to establishing a permanent industrialised native population on the copperbelt. On one fundamental point, however, there

is disagreement. The Commission recommends the extension of opportunities for advancement for African mine workers. The Government, on the other hand, feels that though some dilution with African labour has been accepted as a wartime necessity, it will be impossible to maintain Africans in posts previously occupied by Europeans, when the latter return from the war—especially as peace may well bring with it a decline in mining activity. Here is a problem which will have to be faced and solved in any plans for colonial post-war reconstruction.

* * *

Industrial Mobilisation

Mr Bevin has completed his talks with the representatives of industry. The Orders implementing his plan to register any class of labour and, if necessary, call them up are expected very soon; and a further statement by the Minister on how he proposes to use these powers is eagerly awaited. There has been much speculation. A report that the intention is to require all women between the ages of 20 and 23 to register for national service has been confidently put about; and it is said that Mr Bevin has reached an agreement with the representatives of workpeople and employers about the terms and conditions on which labour for war work will be recruited, transferred and employed. The real question, however, relates to ways and means, rather than terms and conditions. The most specific statement about what is likely to happen appeared in a broadcast to Australia by Mr Bevin himself. Then he denied that industrial conscription was being considered. The proposed registration, he said, was simply intended to find out what quantity and quality of fresh labour were available.

*

If this is the case, then the plan for mobilisation will need to be much wider, and go much deeper, than has yet been reported anywhere. If it is to be left to the uncommanded working of the labour market to bring in the millions more needed, that market will necessarily have to be rigged in such a way that no man or woman, without exception, can lose by moving into war work or gain by staying out—in such a way, indeed, that no one can do anything but lose, relatively, by refusing to go into war work, or into training for it. The present bias of differences in income, status, comfort and convenience is against labour transfer. There has been little or no attempt to cut down civilian industries in such a way as to set free the maximum amount of labour. Conditions at training centres act as a deterrent to movement. There is no obvious reason why women (with due allowance for family responsibilities) should not be openly mobilised at certain ages, as men are for the forces, either for national service in the factories or for recruitment into the women's auxiliary bodies; nor why men who are not called up to fight should not be called up for work. But there is no special virtue in "compulsion." It can never be more than a regrettable necessity. Mr Bevin will not have it, and his task—and that of the entire Government—is, therefore, to see that the nation gets the war workers it needs in other ways. It will not be enough simply to broaden the present arrangements about dilution, overtime, reinstatement and paying "the rate for the job."

* * *

No More Cotton Futures?

Since the war started, the delicate market mechanism which rendered possible the buying and selling of standardised types of cotton, wheat, metals, rubber, sugar, and other commodities for months ahead has been jammed, among other things, by the tightening of Government control of imports, necessitated by the need to economise shipping space and foreign exchange. Most of the so-called "futures" markets have already been suspended, while those still in operation, such as the cotton and rubber exchanges, have lost much of their freedom. Government purchases of cotton and the uncertainty over imports have already impaired the functioning of the Liverpool futures market, the oldest in the country. Now the Government has decided to become the sole importer of cotton; and the market will soon no longer even be in a position to discharge its

function. If the Government is supplying the country's needs in cotton, it will presumably no longer allow prices to fluctuate from day to day in accordance with expected changes in supply and demand, but will release the various grades at fixed prices. Already, though not for the first time since the outbreak of war, the directors of the Liverpool Cotton Association have decided to fix the differences between the prices quoted for delivery in one future month and another; these differences are to be those ruling between March and other "futures" at the close of the market on February 14th. The liquidation of all outstanding contracts, however, would be a lengthy process. But even if the "futures" market is ultimately to be suspended, the need for merchants skilled in sampling, sorting and classifying cotton should ensure the preservation of a nucleus for its reopening, if conditions favour the return to freer markets after the war.

* * *

Organising Production

The case for organising the curtailed civilian industries so as to make the most efficient use of their restricted resources—releasing the maximum of labour and machinery for war contracts, keeping down the price of their products to civilian consumers, and protecting individual manufacturers against uncontrollable losses—has always been theoretically sound. Every day now it receives practical backing. A fortnight ago the *Textile Review* declared that "there are mills to-day carrying up to 150 per cent. overheads in the cardroom to maintain only 50-75 per cent. of their spinning capacity." "Is there no one (the journal asked) practical enough to point out to the authorities how all this idle machinery, staffed by less efficient labour than normal, has eaten away spinners' margins?" It is true, of course, that the purpose of this plea was to lay claim to an increase in margins and, consequently, in the price of cotton goods; and it is always possible that the margins permitted may be demonstrably insufficient to cover an increased burden of costs. The claim would need to be proved by detailed costing; but it is always the case that, though price-fixing may be indispensable, the actual prices fixed may be the wrong ones.

*

Meanwhile, however, the importance of this point lies in the support it gives for organising civilian manufacture with the same care as war production. The existence of idle or under-employed machinery—and labour—ence sheer waste to the war effort; and whatever the adequacy or inadequacy of spinners' margins may be, the proper procedure would be, first, to make sure that spinning was exclusively concentrated in the most efficient mills; secondly, to see to the transfer to war work of every available worker and machine; and, thirdly, to pay compensation, from the funds of the industry or from the public purse, to firms thrown out of business—sufficient now to maintain their plant and meet their fixed charges, and, later, to restore goodwill. As it is, the burden of a restricted trade is thrown upon the individual firms whose only course, naturally, is to cover it so far as possible by raising prices. If, as it is reported, the official intention soon is to allow only 15 per cent. of the capacity of the clothing industry to supply civilian needs, the same problem of organisation will arise. Both the 15 per cent. doing civilian work and the 85 per cent. working for the Services will need and so that neither individual producers nor consumers at large will be penalised, by higher costs or increased prices, for needless inefficiency and lack of organisation.

* * *

The Needs Test

The dissident minority of the Labour Party which last week moved an amendment to the effect that the Determination of Needs Bill does not give full effect to the Prime Minister's pledge of last November were summoned by their party leaders to explain their revolt. No formal censure was, in fact, imposed, and it hardly seemed necessary to take official party action against members who were only expressing their disappointment that the new Bill did not go so far as they had hoped

and as their party in full conference had demanded. It is, perhaps, worth while to compare the Bill with Mr Churchill's original statement. The Prime Minister said that legislation would be introduced

to give effect to certain changes designed to remove causes of complaint against the existing means test. The test will become one of personal need and will be based on the following principles: the needs and resources of the applicant will continue to be aggregated with those of his wife and of any dependants, but the resources of any other member of the household will no longer be aggregated. . . . If the applicant is the householder, a standard contribution by non-dependent members of his household towards rent and other overheads will be assumed and taken into account as part of the applicant's resources. . . . If the applicant is not a householder, and is living with relations, regard will be had to the constitution and circumstances of the home in assessing his personal needs, but inquiry into the resources of other members of the household will . . . be greatly reduced and will often be unnecessary. No applicant without resources of his own will be left dependent on other members of the household for means to buy clothing and other necessary personal requirements.

Thus the Prime Minister did not promise, without any qualification, simply to substitute a test of personal needs for the household means test.

*

The proposed regulations, which were summarised on page 143 of *The Economist* of February 1, follow these principles so closely that judgment can hardly be given for the Labour rebels. Where the applicant is the householder, the principle of the household means test has been practically abolished, for though a contribution by non-dependent members of the household is to be assumed—in accordance with the Prime Minister's statement—the contribution will be a standard one, which will not be exceeded no matter what the contributor is earning. In the case of a non-householder applicant who is living with a householder relative, it is quite true that—only if the householder's income exceeds a certain figure, which may be as high as £6 10s. a week in the case of a householder with a wife and two children—it will be assumed that the applicant will be given free board and lodging, and this will be left out of account when his needs are determined, although no such assumption will be made where the householder is a relative only by marriage. Nevertheless, the Government can surely claim that, in abolishing the requirement that, before determining needs, the resources of all members of the household must be taken into account, it has fulfilled the Prime Minister's pledge. Whether a personal needs test pure and simple should be introduced, or whether there should be no means test at all, are quite other questions—which may have been in the rebels' mind. As it is, the new test will be on much the same principles as the assessment for income-tax reliefs.

* * *

Bombing Roumanian Oil

A combination of misprints with careless phraseology led *The Economist* of last week to contradict itself and confuse its readers on the subject of the extent of damage that could be done to the Roumanian oilfield—Nazi Germany's most important source of supply—by air attack. The bombing of the wells by high explosive—as was argued on page 226—is unlikely to be a remunerative proceeding, as the targets are small and

The MERCANTILE BANK of INDIA LIMITED

Head Office: 15, Gracechurch St., London, E.C.3

Branches and Agencies throughout the East

FIXED DEPOSIT ACCOUNTS

Rates will be quoted on application

comparatively easy to repair. But incendiary bombs are a different story—as was intended to be conveyed on page 204—since the natural gas is allowed to escape into the air. And in any case—as both passages agreed—the refineries are an excellent target. There seems to be very little substance in the view—expressed in the House of Commons by a very high authority—that it would be easier for the R.A.F. and more damaging for the Germans to bomb Roumanian oil in Germany than in Roumania. Transport is the root of the matter, and the strain, which is already great, would be much greater if the Nazis had to carry six tons of crude oil for every one ton of petrol, refined in Roumania, that they now transport.

* * *

The Civil Estimates

The total net estimates for 1941-42 for the civil departments, excluding the revenue departments, are £424,332,275, compared with £425,901,688 in the current financial year. As, for the second time, only token estimates have been given for the war ministries and war services of civil ministries, the total figure is incomplete, but it is reassuring that entirely civil expenditure is not being allowed to increase. The biggest saving has naturally sprung from the fall in unemployment; the estimate for the Assistance Board is down to £19,560,000, compared with £30,035,000 in 1940-41. Possibly, the saving would have been greater were it not for the non-unemployment help given by the Board, which is now also responsible for payments to needy evacuees and the bombed. The second biggest drop is shown by expenditure of the Exchequer on roads, the estimate for which is only £10,738,000, against £16,389,600 in 1940-41, when it had already been reduced by about £8 millions on the previous financial year. But these two big savings have been largely offset by the big rise in the estimates for supplementary pensions from £17,250,000 to £31,120,000. Part of this rise is possibly due to the unexpectedly large number of applicants for supplementary pensions after the change-over in administration to the Assistance Board took place last August, but the greater part is presumably due to establishment of a new needs test by the Bill which is now before Parliament. An interesting increase is the doubling of the Registrar-General's Office vote at £238,777; this may be the result of the great amount of work falling on the department owing to the big movements in population. A small, but welcome, increase of £333,990 is to be found in the vote for development and welfare in the colonies, including the South African High Commission territories, but the new amount, £804,010, is still very inadequate.

* * *

The Cinderella of Transport

The appointment of Mr Frank Pick "to investigate and report upon the carriage of traffic on canals and inland waterways" is an overdue step. There can be nobody in the country who is not in some measure directly affected by the congestion of road and rail transport brought about by the war; even those who never leave their firesides find those firesides only half-warmed because of the difficulty of transporting coal. Meanwhile, a large part of the canal system which fathered the Industrial and Urban Revolution is either under-utilised or abandoned. The last war did something to revive the canals, but the bulk of the traffic continued to be local, and with the growth of road transport even this local traffic began to leave the canals. The road competition has been reduced by petrol rationing, and the present pressure on the railways might reasonably have led to some return of long-distance traffic to the canals. But any such spontaneous development is impeded by the difficulty of rates. The canals' operating costs have greatly increased since the war, but they cannot raise their rates without the approval of the Railway and Canal Commissioners; nor, indeed, would an increase in rates help them much, unless railway rates rose still more. Moreover, the question of rates is more acute for the independent canals than for those which are owned by the railways and participate with them in the agreement with the Government. This chaotic state

of affairs becomes intolerable at a time when the transport system as a whole is liable to be strained beyond the limits of its present organisation and capacity. Centralised and uniform control is called for, and the task of bringing in the canals will not be easy. There is a shortage of labour, even for the maintenance and working of those canals whose upkeep has not hitherto been neglected; and whether any of those which have fallen into disrepair can be made workable in present conditions is extremely doubtful. Mr Pick has been asked to report—very late in the day. He might reasonably have been given a mandate to mobilise the canals—and power to act. It will be the duty of the Ministry of Transport to see that his report, when it comes, is acted upon, and not shelved, like its predecessors, for a decade or more.

* * *

Shorter Notes

The number of interned enemy aliens released under the different categories of the White Paper numbered 10,112 Germans and 1,001 Italians up to February 8th. By far the largest number—4,245 Germans and 461 Italians—have been released under Category 3, the invalid or infirm. Those accepted for enlistment in the Pioneer Corps account for 1,608 Germans and 161 Italians, and "special cases of extreme hardship" has secured the release of 738 Germans and 43 Italians. Releases under Category 19—active opposition to the Nazi regime—number 142 Germans and 8 Italians, but it is pointed out that many internees who would otherwise have been covered by it were released before it was added to the White Paper. In addition to all these and other releases, 410 Germans and 120 Italians have been released as special cases outside the White Paper procedure. All the figures given include internees in Canada and Australia as well as the United Kingdom.

*

When the changes in the machinery of Government were made in January, the co-ordinating work of the Economic Policy Committee was taken over by the "Steering Committee" under the Lord President of the Council, its import functions being merged into the new Import Executive. Now, the Economic Survey, under Lord Stamp, which gave valuable advice on all economic aspects of the war direct to the Economic Policy Committee, has also been wound up, as its work has been completed. It is not, perhaps, too much to hope that these changes mean that advice is at last to be translated into action.

*

Yet another American visitor is to come to England. Mr W. Averill Harriman, who has been working with the new Office of Production Management, is being sent to the Embassy in London to expedite the defence programme.

*

The following table gives the number of deaths and serious injuries in air-raids since mass raiding began last September:—

	Killed	Detained in Hospital	Total Serious Casualties
September, 1940	6,954	10,615	17,569
October, 1940	6,334	8,695	15,029
November, 1940	4,588	6,202	10,790
December, 1940	3,703	5,044	8,837
January, 1941	1,502	2,012	3,514
Total	23,171	32,568	55,739

Of those killed in January, 720 were men, 567 women and 189 children under 16.

THE WORLD OVERSEAS

Neutral Switzerland

(From Our Geneva Correspondent)

February 1st.

THOUGH an island of peace in the middle of Europe Switzerland is a besieged country. Her communications with other countries are either through Axis territories or Axis-controlled areas. The economic situation in the neighbouring countries is such that she can hardly get any foodstuffs from France and Italy, who were formerly her chief sources of supply. Overseas imports are reduced to almost nothing, owing to the British blockade on the one hand and, on the other, to the fact that she can only rely for her sea transport on half a dozen ships chartered by the Swiss Government and flying the Swiss flag. She still employs Marseilles and Genoa, in France, for unshipping her goods; it has just been announced that, owing to important troop movements, she can no longer use Genoa and Savona. In Italy, which she has been able to use hitherto. Rail communications from these ports to Switzerland are long and difficult, and, for reasons easy to understand, the Swiss railways are reluctant to send too much of their rolling stock to these countries. The consequence is that Switzerland's restocking of foodstuffs is seriously menaced, and a number of products—principally fats, comestible oils and textiles—are becoming very scarce.

Wheat supplies are still sufficient, so that wholemeal bread, which can only be sold two days after being baked, is not rationed, and the introduction of bread cards is not contemplated for the time being. Meat, fresh milk and cheese are plentiful and their sale is unrestricted, but all other products are rationed. Everyone is entitled monthly to 24 oz. of flour, maize or semola, 16½ oz. of sugar, 16½ oz. of rice, 16½ oz. of macaroni, 8 oz. of dried peas or beans, 9½ oz. of butter. Butter rationing may be surprising when one remembers that Switzerland is an important producer of dairy products, but the lack of fodder and exports have much reduced the national herd of cattle, while on the other hand the population have tended to hoard butter to make up for the dearth of fats and oils.

Clothing Cards

The abnormal hoarding of shoes and textiles last October led to the immediate rationing of shoes, cotton, wool and linen; for these cards on the German pattern have been delivered allowing everyone to purchase one pair of shoes and various linen, cotton and wool articles—according to choice—until the month of April, when another quantity will be allowed. The textile card includes 90 points; 34 points are to be given for a man's suit, five for a shirt, two for a pair of socks, eight for a skirt, one for a towel. Artificial silk and wool substitutes are now mixed with wool, and other substitutes are added to cotton. A new order has been issued for the control of textile manufacturing, allowing the use of from 50 to 80 per cent.—according to the class of goods—of pure wool and cotton in the manufacture of thread and tissues.

Petrol is also scarce; big quantities are stored, but they are reserved for the exclusive use of the Army. The few tons that can be imported are sparingly delivered to a restricted number of private motor vehicles—agricultural tractors, transport undertakings, doctors—at the rate of two to four gallons a month, and about three-quarters of Swiss motor vehicles—that is, about 80,000—are idle.

A great effort at making Switzerland almost self-supporting is being attempted, and plans are ready for compelling the Cantons and Communes to increase the area under cultivation so as to double it. The present 440,000 acres under cultivation—which already represents an increase of about 80,000 over 1938—enable the

feeding of half the population, and it is estimated that another 300,000 or 400,000 acres might be added by clearing some forest and pasture land and cultivating pleasure gardens and parks. It is estimated that about 9,900 acres of forest can be cleared up, which would at the same time provide Switzerland with important quantities of wood for heating, for industry and paper manufacturing. This, it is stated, is the only means of avoiding famine which might threaten next winter should imports remain at the present level.

Danish Troubles

[BY A SCANDINAVIAN CORRESPONDENT]

February 11th.

DANISH finance is seriously threatened by the large amount of liquid money resulting from the enforced realisation of livestock and other assets, mainly in the form of agricultural exports to Germany. Export prices are continuously increased, but are invariably accompanied by a corresponding increase in the cost of imports from Germany. As Germany pays for her imports from Denmark through the Danish-German clearing account, the increased prices involve no sacrifice on the part of the Germans. According to the latest figure of the clearing account, Germany now owes Denmark Kr. 432 millions. The balance sheet of the Danish National Bank shows furthermore that the account "diverse debtors" has increased to about Kr. 450 millions. This account represents the German Wehrmacht's expenses in Denmark. The total Danish payment for ten months of German protection, therefore, now equals about Kr. 850 millions, taking into consideration small amounts on these accounts before the German invasion.

Inflation Dangers

The increasing danger of uncontrolled inflation is emphasised by the fact that the note circulation of the National Bank last December amounted to Kr. 741 millions, against Kr. 599 millions in December, 1939. At the same time as the note circulation is increasing, the stocks of goods are dwindling. Those of raw and semi-manufactured goods are badly depleted, and this has consequently reduced industrial activity, especially of consumers' goods. The index of industrial production in November was already down to 91, compared with 116 in 1939. Tea, cocoa and cooking chocolate stocks were exhausted after Christmas and it is impossible to replenish them. Coffee stocks are expected to last until April if the present ration of 125 grammes (just over ½ lb.) a month per head continues. The weekly allowance of white bread is 18½ oz., of rye bread 52½ oz., of sugar 13 oz., and of butter or margarine 12 oz.

The following table shows the export trade in various agricultural products in 1940:—

	1939		1940	
	Quantity	Million Kr.	Quantity	Million Kr.
Butter, tons.....	150,000	291	108,000	329
Bacon, tons.....	100,000	394	143,000	311
Eggs, numbers in millions	1,704	146	1,344	129
Live pigs, numbers	132,800	25	753,000	115
Cattle, live and slaughtered, numbers	242,000	...	440,000*	...

* Estimated.

The increase in the price of agricultural products during 1940—81 per cent. for butter, 40-50 per cent. for cheese, 30 per cent. for slaughtered cattle, and 12 per cent. for

slaughtered pigs—does not mean that the Dutch farmer gets a corresponding profit. His cost of production has increased, and in the end he will see his livestock reduced, while instead he only has the paper money forwarded by the Danish National Bank, which is forced to finance the export to Germany.

High Unemployment

The biggest social problem in Denmark is unemployment. The total number of unemployed rose from 132,000 in December last to 193,200 in January. Of this total, 179,400 belong to unemployed insurance societies, which have 504,000 members. This does not, however, give the complete picture of the unemployment in Denmark. Some 30,000 workers avoided unemployment owing to reduced hours in industry, and 25,500 workers have gone to Germany. The actual unemployment is thus nearer 250,000. This means that every second insured worker is out of work. The 25,500 Danish workers in Germany live under conditions very different from those in Denmark. They live in barracks and are sent wherever the Germans want them, regardless of their trade. They work up to sixty hours a week or more, though it is asserted that a Danish workman produces more in eight hours than a German in ten. For how long he will do this under conditions in Germany is another question. The majority of the workers are navvies, ferro-concrete, harbour and transport workers. Danes destined for work in coal-mines have left Copenhagen for *Stinneswerke*, Essen. It has been stressed by the Germans that the much-desired supplies of coal and raw materials from Germany would be facilitated by giving Danish workers the opportunity of taking up work in Germany. Now, during the bitterly cold winter days in Denmark, the Danes are experiencing another German breach of promise.

Foreign Shipping in China

[FROM OUR SHANGHAI CORRESPONDENT]

December 23rd.

THE China shipping situation late in 1940 showed a sharp decrease in tonnage, compared with the period immediately prior to the European war, of maritime traffic in all Chinese ports, especially at Shanghai; a reduction by over 60 per cent. of British shipping; the maintenance of Japanese shipping's pre-war volume; and increasingly unfavourable effects on the Chinese trade of expense and shortage of bottom space in the North-eastern Pacific.

Ships entered from and cleared for abroad in all Chinese ports during the last quarter of 1940 aggregated a monthly average of 1,800,000 tons, against 2,700,000 tons in the months which preceded the European war. This decline in Chinese shipping of 900,000 tons, or one-third, is accounted for to the extent of 500,000 tons by Shanghai, 300,000 tons by South China ports, and only 100,000 tons by Yellow Sea harbours. In the remainder of China's foreign shipping, Shanghai accounted for almost 50 per cent., the North for between 40 and 45 per cent., and the blockaded South for from 5 to 10 per cent. only.

Japan's shortage of bottom space prevented her from increasing her tonnage in the China ports, but she managed to maintain the former volume of her Chinese shipping, and thus could seize the lead because China sailings declined under all other flags. The tonnage of Japanese mercantile ships visiting Chinese ports was slightly below 1,100,000 in November, 1940, as well as in August, 1939, but the share of this tonnage in the total Chinese shipping has increased from 40 to 62.5 per cent. In Shanghai, the Japanese shipping share went up from 24 to 40 per cent. These figures do not take into consideration almost 1,000,000 tons of Japanese shipping requisitioned and reserved for supply shipping on behalf of the Japanese forces fighting in China.

Britain lost her former lead in the total of Chinese shipping early in 1939 as a result of Japanese dis-

crimination—and since the outbreak of the European war in Shanghai as well, through the withdrawal from the Far East of an increasing number of British vessels. Not only were all P. and O. and some Canadian Empress liners withdrawn, but also numerous smaller units down to tugs and salvage boats. The volume of British shipping in China consequently contracted from almost 700,000 tons monthly, just before the European war, to less than 300,000 tons monthly late in 1940. British ships entering from and leaving for foreign ports at Shanghai aggregated 554,000 tons in August, 1939, and only 215,000 tons in November, 1940. The proportion of British shipping in the periods under review declined in the whole of the Chinese ports from 26 to 16 per cent., and in Shanghai from 40 to 24 per cent.

All other flags account for but 20 per cent. in the total shipping of China, and for 35 per cent. in that of Shanghai. The chief four of the minor participants are the United States, Norway, the Netherlands and—since the resumption last autumn of the *Messageries Maritimes'* Shanghai sailings—once more France. No expansion of Chinese shipping of these four nations may be expected for the duration of the European war. Though the new American President liners make Shanghai a port of call on their regular round-the-world voyages, elder bottoms of the same company are being withdrawn correspondingly.

Shortage of Cargo Space

The shortage of bottoms on the China coast this winter is more pronounced than ever since the start of the Sino-Japanese war. Japan complains of insufficient shipping space, and through lack of adequate transportation facilities experiences huge port congestions on her main islands as well as in North China. Shanghai meets with increasing difficulties in securing cargo space for importation of British Indian and Brazilian cotton as well as of Australian cereals. Christmas, 1940, found Shanghai perturbed over the threatening cancellation, for lack of shipping space, of a 40,000-ton wheat order placed in Australia. The important Saigon-Shanghai run (rice, maize) is burdened with a 5 per cent. war risk rate as well as with freight charges as high as trans-Pacific freight rates.

British dockyard and wharf companies in Shanghai report very satisfactory returns for the first half of 1940, but later in the year their business fell off. The chairman of the biggest of these companies this month told his annual general meeting of shareholders that he found it impossible to look forward with optimism to the near future of Shanghai shipping. British Chinese coastal shipping to and from Shanghai, minor sea ports and Lower Yangtze harbours since last autumn was equally outdistanced by Japanese coastal shipping, and towards the end of the year was almost paralysed by sudden additional financial exertions on behalf of the Japanese naval authorities.

America's New Budget

[FROM OUR NEW YORK CORRESPONDENT]

February 14th.

AS has become usual in recent years, the Budget presented by the President to Congress on January 8th is not much more than a sketch. Regularly, supplementary proposals have been presented in the course of the year, and often forecast without being enumerated in the Budget Message. In the current fiscal year, appropriations for defence to a total of about \$5,000 millions were interpolated. In the present instance, the Message states that "the time has come for immediate consideration of assuring the continuation of the flow of vitally necessary munitions to those nations which are defending themselves. . . . Such a complementary programme would call for appropriations and contract authorisations over and above this Budget." Likewise, the revenues are calculated by the incidence of existing taxation on an (expected) increased national income; but the Budget recommends that "a start should be made this year to meet a larger percentage of defence payments from current tax receipts," but makes no specific proposals other than that "additional tax measures should be based upon the principle of ability to pay."

Unique!

The **Crown Colonist**

WALL MAP OF THE COLONIAL EMPIRE

Invaluable to all concerned with Colonial Trade, Commerce and Education . . .

● Designed to show the situation and size of each of the British Colonies in relation to one another and to the British Isles, this new map consists of a general map of the World on which Great Britain and Northern Ireland, the Crown Colonies, Protectorates and Mandated Territories are shown in strong red; the South African Protectorates (administered by the Dominions Office) in red hatching; Condominium Territories such as Anglo-Egyptian Sudan by a red stipple, and the Dominions and their Dependencies by a pale red. The background colouring for the rest of the map is yellow, with the sea in blue.

Shipping routes, submarine cables, the principal coal and oil fuelling stations are shown, and the principal air routes are also indicated.

● Supplementing the general map are insets showing the various Colonies, Protectorates, etc., which are all grouped in their geographical relationship to one another, and include Colonies in Europe and the Mediterranean, the Middle and Far East; East, West and Central Africa; High Commission Territories in Southern Africa; the Bermudas, the Bahamas, the West Indies, and South and Central America; Fiji and the Western Pacific; South Atlantic and Antarctica. All these, together with a separate inset of Great Britain and Ireland, are drawn on a uniform scale of 1:10,000,000 (approximately 160 miles to the inch).

Principal railways and roads are shown on each inset, and the badges and crests of the various Colonies are given in full colour.

● Particulars of the total area and population, average trade, imports, exports and re-exports of the Colonial Empire are given, and the products of each group of territories.

SIZE:

37 by 48 inches



PRICES:

In sheet, unmounted:

6/- net

Mounted on cloth and varnished with rollers or on cloth, dissected to fold:

15/- net

THE CROWN COLONIST

33 TOTHILL ST., WESTMINSTER, LONDON, S.W.1

The following table shows the principal items of receipts and expenditures:—

Receipts for Fiscal Year ended June (\$000,000)			
	Est. 1940	Est. 1941	Est. 1942
Income tax	2,125	3,055	4,510
Miscellaneous	2,345	2,871	3,029
Employment taxes	833	891	961
Railroad insurance	5	7	7
Customs	349	302	295
Other miscellaneous	162	153	161
Realisation on assets	106	369	8
Total receipts	5,925	7,653	8,972

The total of actual receipts for 1940 includes an "adjustment" item, of which the largest element was \$1,083 millions representing a decrease in the Treasury's working balance.

It will be noted that the largest increase is attributed to the income tax—for 1941 it is estimated at 50 per cent. over the actual receipts of 1940, and, for 1942, 50 per cent. over 1941. The principal legal charge introduced thus far is the Excess Profits Tax on corporations; but the principal reliance is on the increase in the national income. The Message states: "Economic activities and national income are rising to record heights"; indeed, economic activity has been for some months at record heights.

The following table gives the principal items of expenditure:—

Expenditure for Fiscal Year ended June (\$000,000)			
	Est. 1940	Est. 1941	Est. 1942
Legislative, judicial, executive	37	39	41
Civil departments	952	965	956
Public works	541	570	503
National defence	1,580	6,464	10,811
Veterans' pensions	550	560	565
Aids to agriculture	1,375	791	1,062
Aids to youth	378	369	363
Social Security	384	430	463
War relief	1,861	1,477	1,034
Interest on Public Debt	1,041	1,100	1,225
Total expenditures	8,998	13,202	17,486

The totals are in excess of the items, as they include allowance for miscellaneous items, running to about \$500 millions.

The gross deficit is given as \$9,310 millions for 1942, \$6,289 millions for 1941 and \$3,740 millions for 1940; the actual increase in the public debt in 1940 was only \$2,528 millions, owing to the utilisation of previously accumulated Treasury balances.

The Message explains that, in the first six months of the current fiscal year, expenditures for defence totalled \$1,750 millions; but that contracts and orders of the period amounted to \$10,000 millions. This would indicate that actual defence expenditures in the second half of the fiscal year are expected to be more than double those in the first half.

Less Port from Portugal

[FROM OUR LISBON CORRESPONDENT]

January 21st.

ALTHOUGH England bought some 24 million litres of port during 1940, a figure in excess of the 1939 imports, for the trade as a whole last year was poor, total exports being only 31,785,000 litres, compared with 40 millions in 1939 and 38 millions in 1938. The "New Order" in Europe has meant that French imports fell from 10 million litres in 1938 to 2.6 millions, while Sweden's million litres of 1939 fell to 2,173 litres. Germany drops out altogether, Norway's imports were halved, Holland and Belgium each took a third of their usual quantity, taking 1938 as a standard. Switzerland and the U.S.A. were the only two countries that, like England, increased their purchases of port—from 438,000 litres to 693,000 litres for the U.S.A. and from 380,000 litres to 462,000 litres for Switzerland. Thanks to higher prices, the depressive effect of such reductions has not been extreme, but fears are felt for the future, since December shipments were but 1,032,000 litres, against 2,495,000 litres in the same month of 1939 and 3,608,000 litres in December, 1938. The mutual importance of Anglo-Portuguese trade in connection with, not only vintage ports, but also beverage wines, is obvious, and with the bouleversement of affairs in France, Portuguese supplies of wine become important.

Shorter Notices

"Employment and Equilibrium." By A. C. Pigou. Macmillan. 283 pages. 16s.

Intended for professional economists, Professor Pigou's latest contribution to the definition of the terms upon which latter-day economic discussion crucially depends is remarkable, as usual, for its clarity and terseness. Savings and investment; the relation between wage rates and employment; the motivation of changes in market conditions; the conception of economic society as a "flow" of relations; the use of mathematics—this book is in the main stream of modern thought. But many readers will value it most of all precisely because it is Professor Pigou's contribution. They will recognise with pleasure—even where they disagree—his "classical" integrity, his appeal to recorded historical facts, his insistence on the decisive rôle of business confidence in fluctuations and his lucid logic.

"The Shipping Industry of Japan." The Foreign Relations Council of the Japan Economic Federation. Tokyo. 32 pages. 1s. 4d. including postage.

A useful account, well furnished with statistics, of Japan's shipping industry. There is a chapter on Government control and shipping law.

Books Received

Public Investment and the Trade Cycle in Great Britain. By R. F. Bretherton, F. A. Burchardt and R. S. G. Rutherford. (Oxford) Clarendon Press. 454 pages. 80s. net.

The American Impact On Great Britain. 1898-1914. By R. H. Heindel. (London) H. Milford. 489 pages. 24s. net.

An Outline of Money. By Geoffrey Crowther. (London) Nelson. 459 pages. 10s. net.

THE BUSINESS WORLD

Continental Currencies

BESIDES the spiritual infection which attacks any currency in close contact with Germany, there are three material causes for the deterioration of the currencies of countries that have fallen into German occupation: the normal effects of a lost war and enemy occupation, the establishment of Reich credit banks which serve in the territories concerned as *Ersatznotenbanken* and increase the notes in circulation; and, thirdly, the lack of gold and foreign exchange holdings in the central banks at the time of the occupation, thus leaving the increased currency without any real cover. There was, too, a temporary adverse factor in the millions of refugees, who carried about with them vast, but unknown, amounts of hoarded notes.

The currency which is in by far the worst condition is the French franc. The chief reason for this is the enormous cost of the occupation, on which more than Frs. 60 milliards has already been spent. The Bank of France is losing all its gold rapidly—that part, at least, which is not blocked in the United States—and is receiving in exchange a State IOU. It is not surprising that the Bank of France returns are no longer published—a step which even the Reichsbank has never felt called upon to take. The German authorities, for their part, pay their bills, and provide their soldiers, with *Reichskreditkassenscheine*, the acceptance of which, at a fixed rate of exchange, is compulsory. As this paper money is circulating along with the franc and the mark, which, incidentally, has replaced the franc in Alsace-Lorraine, now considered part of the Reich, the total amount of notes in circulation has increased enormously. This plethora of paper money makes the French people extremely inflation-conscious, a fear which the Germans are not attempting to check. In fact, extensive spending by soldiers and occupation authorities provides a temporary stimulus to business in occupied France.

Twelve Reich credit banks operate in occupied France. As all such banks are branches of one institution, common to all occupied territories, it is not known how many of their *Kassenscheine* fall to the share of each country, nor is even the total issue of these *Ersatzbanknotes* known. But a law was published to the effect that they were covered up to Kr. 3 milliards by a loan to the Reich, and it may be assumed that the circulation is of approximately that amount. Moreover, most of the total must fall to the share of occupied France, since Scandinavia, the Low Countries and Poland are again using their own currencies, either exclusively or at any rate mainly. The rate of exchange has been fixed at 20 French francs to one *Kassenscheinmark*, and some idea of the huge amounts of paper money which have been pumped into occupied France can consequently be obtained. On the other hand, by a process of requisitioning or purchasing, commodities, which to a great extent are irreplaceable, have been pumped out. Thus the divergence between the note circulation and the available goods grows daily.

In Denmark, it was not found necessary to establish Reich credit banks, as the population accepted the *Kassenscheine* without demur. But since last summer no new ones have been issued, and those in circulation had to be exchanged at the Danish National Bank for Danish banknotes by September 10th. Payment for the costs of occupation is now being provided directly by the National Bank; its note circulation has consequently increased, amounting to nearly Kr. 750 millions in December, against Kr. 600 millions in December, 1939; its current accounts have also risen considerably. The shortage of goods and the rise in the note circulation are having their usual effect on prices, and the wholesale price index has passed its previous highest point.

The situation in Norway is even less favourable. The note circulation before the occupation was about Kr.600 millions. The Bank of Norway has stopped publishing a return, but the circulation is now estimated at Kr.1 milliard, the increase being mainly due to the payment of the costs of occupation. But since the gold is in the

possession of the legal Bank of Norway in Great Britain, there is no real backing to the notes. Moreover, the income from the merchant navy, the most important asset in the balance of payments, is not available; it is not surprising, therefore, that there is a flourishing trade on the Norwegian Black Bourse, where a dollar is quoted at Kr.6.50, against an official rate of Kr. 4.40.

In Holland, eight Reich credit banks were set up to begin with; but, with the exception of the one in Amsterdam, they were soon closed, and the amount of *Kassenscheine* in circulation, for which the rate fixed was 0.75 guilders to Rm.1, was not considerable. The note circulation of the Nederlandsche Bank, however, has increased by about 30 per cent., while its gold holding is under the control of the Dutch Government in London. The Bank's bill portfolio is four times as high as it was last year, an increase which does not reflect the credit demands of genuine business, but which is entirely due to the placing of Treasury Bills with the Bank. Moreover, the financing of the State deficit has mainly been carried out in the open market, and the circulation of short-term Treasury Bills amounts to more than a million guilders, but the authorities have not been able to float a bigger long-term loan.

The currency position in Belgium is not at all clear; but there is a very strong inflationary tendency, and in no other country has so rapid an expansion of the note circulation taken place. It rose from 27.9 to 29.8 milliards between the beginning of 1940 and the invasion, to 33.5 milliards during the next six weeks, and by a further 3 to 4 milliards since. Vast quantities of notes were hoarded by the population at the time of the invasion, and here, too, the circulation was swollen by the *Kassenscheine* of the Reich credit bank, the rate of exchange for which was fixed at 8 pfennigs to 1 Belgian franc. On the instructions of the Belgian National Bank, part of the gold reserve is now returning to Brussels from Dakar, where it was sent by the Bank of France after the German invasion. But it will surely follow the fate of the Bank of France's own gold holdings and will not be allowed to remain for long as a backing to the inflated Belgian note issue.

In German Poland, a new bank of issue was established as long ago as last April, and its notes are the only legal tender. Those of the former Bank Polski and the *Kassenscheine* of the Reich credit bank were then completely withdrawn and exchanged for the new issue. The new bank started off entirely without gold reserves;

WILLS & TRUSTS

In the present wartime emergency difficulty may be experienced in selecting a suitable Executor or Trustee. This difficulty can be solved by appointing a corporate body having the status of a Trust Corporation.

MARTINS BANK LIMITED

is a Trust Corporation and as

EXECUTOR & TRUSTEE

offers efficient service with security and continuity of management throughout the Trust. The fees are moderate; probably less than the legacy you would bequeath to a private Executor.

Enquiries welcomed at any Branch of the Bank

London District Head Office: 68 Lombard St., E.C.3

Head Office: WATER ST., LIVERPOOL, 2
600 BRANCHES

PUBLIC INVESTMENT & THE TRADE CYCLE IN GREAT BRITAIN

by R. F. BRETHERTON
F. A. BURCHARDT
and R. S. G. RUTHERFORD
30/- net

"... will claim widespread attention as the most comprehensive and authoritative study yet produced of the practical problems involved in the control of cyclical fluctuations. . . ."—*Statist*

THE TAXATION OF WAR WEALTH

by J. R. HICKS, URSULA K. HICKS
and L. ROSTAS
12/6 net

An economic study of excess profits taxes and capital levies, as they have been imposed in various countries, but with special reference to the problems of British finance in the present war

(Shortly)

Oxford University Press

instead, according to its statutes, its notes are covered by the discount transactions which form the basis of their issue, and even by holdings of German marks. The German authorities, however, realised that they could never enforce the exchange of the old zloty notes by producing alleged securities such as these. They, therefore, introduced a compulsory mortgage of up to three milliard zloty on landed property to serve as real cover.

The German invasion was so sudden, except in Poland, and the ensuing campaign so short that there was no time for the usual last minute rush by the public on their banks; moreover, the absence of land fighting in Europe since has enabled the occupation authorities to

remodel the currency arrangements in their own time. Their carefully prepared plans, based on the Reich credit banks, obviated a currency vacuum, and in one or two cases have produced conditions which externally at least appear fairly normal. But the complete absence of any real backing either for the native currencies, swollen by the payment of occupation costs, or for the *Kassenscheine*, whose only cover consists of promises to pay on the part of the German Reich, makes any apparent normality unreal. No doubt, Germany hopes to balance the *Kassenscheine* against the payment of reparations by the Allies after a German victory. But as the prospects of a German victory diminish, the intrinsic value of the *Kassenscheine* dwindles correspondingly.

Finance and Banking

Larger Bill Allotment

Conditions in the money market have during the past week shown a very fine balance between the supply and demand for credit. At no time has there been the slightest evidence of abundance, and yet the market has, with a little effort, always found it possible to place the bills it wished to sell or to obtain additional money with one bank or other. Most of the banks have found their cash position seriously affected by the need to make heavy transfers of tax moneys, and have therefore been rather diffident buyers of bills. The market, for its part, obtained a better allotment of bills at last week's tender. The 89-day bills on which the syndicate again appears to have concentrated its applications provided an allotment of 23 per cent. at the price of £99 15s. The Tuesday 88-day bills were allotted in full at £99 15s. 1d., but most of these were taken by semi-official quarters. The market has thus been a somewhat better potential seller than in the previous week, and this change in its attitude has gained some emphasis from the disappearance of the special buyer. The semi-official orders which were being satisfied by open market purchases of bills last week have evidently been completed. The Bank return reveals the main force at work in the credit position—namely, the flow of revenue payments from bankers' to Government accounts. The former are £7,157,000 down, and the latter £7,810,000 up on the week. Another influence in this shift of funds has been the acceleration in public subscriptions to the various war loans. Bankers' deposits at £103,471,000 reveal how narrow has been the margin of credit on which the market has been working during the past week. There are indications, however, that the position will be appreciably eased next week, though until the close of the financial year approaches to stringency must be expected.

* * *

Clearing Banks' January Figures

The clearing banks' statements for January reveal the customary seasonal deflation of the credit structure following the year-end expansion revealed at its full in the December statements. Deposits have come down from £2,799,969,000 to £2,756,550,000. This reduction of

£43,419,000 is explained to the extent of £22,974,000 by the smaller volume of cheques in course of collection. There has also been some diminution in the items in transit of those banks which show them separately, so that it may be assumed that close on two-thirds of the January diminution in bank deposits was due to the normal contraction in the element of duplication due to outstanding items in course of collection or transfer. For the rest, the composite balance sheet reveals an exceptionally wide diversity of changes. Cash has fallen by no less than £45,359,000, a movement which is exceptional even measured in the light of the customary seasonal deflation of bank cash in January. The exceptional accumulation of funds in Government accounts in preparation for the redemption of 1 per cent. Treasury bonds on February 1st was in part responsible for this drop in the volume of bank cash towards the end of January. The only other item among the assets to show

(In £ millions)						
	Jan. 1940	Sept. 1940	Oct. 1940	Nov. 1940	Dec. 1940	Jan. 1941
Capital and reserves	138.8	139.7	139.7	139.7	140.2	140.2
Acceptances, etc.	110.2	119.0	112.4	114.8	108.2	105.6
Notes in circulation	1.4	1.4	1.4	1.4	1.4	1.4
Current, deposit and other accounts	2,440.9	2,596.7	2,660.9	2,701.8	2,800.0	2,756.5
Total Liabilities	2,697.3	2,856.8	2,914.4	2,957.7	3,049.8	3,003.7
Cash	274.2	288.2	269.5	284.9	324.4	279.1
Cheques, balances, & items in transit	118.8	110.4	117.0	108.0	134.8	111.8
Money at call	174.4	143.7	137.2	140.3	158.6	130.6
Discounts	333.9	401.3	373.4	338.7	264.0	260.2
Treasury deposit receipts	...	91.5	179.5	236.0	313.5	340.5
Investments	609.3	697.1	722.0	742.8	771.5	789.2
Loans and advances	1,002.0	936.8	933.7	923.4	906.0	900.5
Investments in affiliated banks	24.3	23.6	23.6	23.6	23.7	23.7
Cover for acceptances, premises, &c.	160.4	164.2	157.6	160.0	152.5	150.1
Total assets	2,697.3	2,856.8	2,914.4	2,957.7	3,049.8	3,003.7

a diminution was that of short loans, which fell by £27,865,000 over the month. This reflects the much smaller bill positions carried by the market during the month. Treasury deposits continued their steady climb and rose by £27,000,000 to £340,500,000. The flow of bank money into gilt-edged securities was rather smaller in January than in the preceding months, but a further increase of £17,787,000 in the already swollen total of investments is none the less striking and significant. Both discounts and advances show slight increases on the month, the former movement being due to larger holdings of Treasury bills, of which the discount market was a readier seller in January following the year-end balance sheets.

* * *

Currency in Occupied Italian Territories

It is a most welcome change to be able to record details of currency arrangements in occupied territories in which the initiative and the decisions have been taken

by ourselves and not by the enemy. The first such arrangement is that announced from Benghazi, as capital of the occupied province of Cyrenaica. The lira currency is being maintained in circulation, but side by side with it Egyptian currency is being introduced by the occupying armies. The rate of exchange between the two currencies has been fixed at four lire to one Egyptian piastre. This gives a cross-rate of 385 lire to the pound sterling. This compares with a rate of 74 lire to the £ prior to the entry of Italy in the war, and may thus seem seriously to undervalue the local currency. It must not, however, be forgotten that the official sterling-lira rate was a highly artificial concept which bore little relation to the true purchasing power parity between the two currencies. A better criterion was afforded by the unofficial quotation for lira notes which ranged up to 400 lire to the £ in the early months of 1940. On this basis, it will be seen that the authorities have acted with moderation and fairness in fixing the rate of exchange in occupied Lybia. The same problem has not yet had to be tackled in the Italian territories in East Africa, since no large centres of population and commerce have yet been occupied. If and when they are, the question of parallel currencies will be considerably eased by the circulation in those parts of the world of the Maria Theresa thaler. This is a coin which the Royal Mint has in recent years been producing on a scale at least as large as the coinage from the official Italian dies. Adequate supplies of these coins (which also circulate in British territories) are thus assured, and the thaler will provide a common medium of currency in terms of which it should be easy to determine fair exchange ratios between the belligerent currencies.

* * *

Irish Banks' Returns

The returns for the banks operating in Eire for the December quarter, published by the Currency Commission, are as follows:—

(£'000)					
	Decem- ber Quarter 1939	Septem- ber Quarter 1940	December Quarter 1940		
			In Eire	Elsewhere	Total
<i>Liabilities</i>					
Capital, reserves, etc.	17-526	17-572	10-372	7-210	17-582
Notes in circulation	9-742	11-599	5-281	6-850	12-131
Current, deposit and other accounts	162-028	170-962	127-594	45-640	173-234
Other liabilities	5-693	6-196	4-705	1-906	6-611
Total	194-990	206-331	147-953	61-606	209-559
<i>Assets</i>					
Cash and balances with London agents and other banks	19-396	26-174	10-970	16-965	27-935
Money at call and short notice	8-658	9-799	...	10-514	10-514
Bills	8-274	5-367	4-313	769	5-082
Loans and advances	72-341	73-436	48-906	23-278	72-184
Investments :					
(a) Government	68-180	72-548	6-478	68-152	74-630
(b) Other	10-071	10-264	4-240	6-058	10-298
Other assets	8-117	8-739	4-198	4-714	8-913
Total	194-990	206-331	79-106	130-453	209-559
Excess of assets outside Eire over liabilities outside Eire	65-422	66-300	...	...	68-847

Part of the additional deposits have been stated by the chairmen of the banks to be temporary, and this, no doubt, explains the continued growth of liquid assets. The slight decline in advances is the result mainly of the repayment of old advances by farmers who have benefited by rising prices. The expansion in the note circulation was confined to Northern Ireland as the volume of the banks' issues in Eire is limited. The demand for additional currency in Eire was met by an increase in the volume of legal tender rates, which now amounts to £15,161,535. In consequence, the British Government securities held by the Currency Commission had risen in December to £10,798,363, as compared with £9,128,086 in September and £8,733,941 in December, 1939. The "Other Assets," which comprise mainly gold, have also risen during the year, the average for December being £4,863,172, as compared with £3,223,824 twelve months previously. These increases, together with the increase in the banks' net sterling assets shown in the table, demonstrate that Eire, in spite of her neutrality, is following the same monetary course as the belligerent Dominions.

Seven years SECURITY



—then a bonus

Price of Issue — £100 per cent.

Can be bought in sums of £5 and multiples of £5 from any Bank, Trustee Savings Bank, Post Office or Stockbroker.

Interest at 3% per annum accrues from date of purchase and is paid half yearly—May 1st and November 1st.

Repayable after 7 years at £5. 1. 0. for each £5 invested.

Interest is liable to Income Tax but tax not deducted at source. Can be cashed at any time, on six months' notice, at par plus any interest accrued to date of repayment.

In case of private emergency special arrangements can be made for repayment within a few days, less a deduction equal to six months' interest.

3% Defence Bonds are so advantageous to the holder that no individual may hold more than £1,000.

Issued by The National Savings Committee



**FOR ALL
INSURANCE
NEEDS**

Head Offices:
LIVERPOOL LONDON
North John St. Lombard St.

Investment

Three Per Cent. Maximum

The investing public continues to show distinct signs of lack of appetite, and the stock market has touched some new lows for 1941, based on a steady trickle of small selling which suggests that tax payments, and possibly some further stocking up, are being effected to a small extent out of past savings. Institutions appear to be taking advantage of this movement to pick up some cheap stock, but even they are not prepared to arrest the decline. There is no doubt that the cause of the general apathy is the growth of uncertainty, both as to military developments and as to the intentions of the Treasury, but the lack of interest is carried beyond reasonable limits. In times of active trading, it is difficult to suppose that there would have been no reaction to the acceptance by the Chancellor of the Exchequer of the amendment to the Consolidated Fund Bill, substituting for 5 per cent. the figure of 3 per cent. as the maximum to be paid on Government borrowing. It is, perhaps, improbable that the Government intended to issue any really long-dated stocks, but this measure successfully precludes any such offer until the long term basis is 3 per cent., as against the present figure of $3\frac{1}{2}$ per cent. on $2\frac{1}{2}$ per cent. Consols. Possibly, also, the Treasury hopes to see the odd quarter disappear, but in the meanwhile there is a guarantee that any issues made will be of medium life only. This should tend still further to raise the attractions which a large body of investors finds in the moderate volume of Government stocks which have, under the terms of issue, a minimum life of 20 years. It is also rather remarkable that the proceeds of vesting orders, past and prospective, are having very little influence on quotations. Next week brings the first instalment of money on the latest group of American securities taken over, and March 24 sees the start of disbursements on India stocks. Granted that a new savings drive is getting under way, a fair proportion of holders in both these groups will require more than a flat 3 per cent., and it seems inevitable that buying will be resumed. It will be selective, owing to acute uncertainty in a widening field, which now includes the leading Dominion stocks, but, where it falls, it should be the more marked. Some price rises seem certain, but their amount, and the extent of the ground covered, will depend in some degree on the absence of adverse developments in other fields.

* * *

Home Railway Earnings

The receipts of the British railway system, including the whole of the operations of the L.P.T.B., during 1940 just failed to reach £248,000,000, of which no less than £104,785,000 was for the carriage of passengers and £140,498,000 for merchandise. Expenses, including provision for war damage, rose to £203,480,000 and, after minor adjustments, the net revenue of the pool amounts to some £42,763,000. This figure compares with the guaranteed minimum of £39,850,000 and with some £43,450,000 for "Stage 2," the level above which the Government starts to share in any increase in net revenue. Certain additions have to be made to this revenue on account of receipts from investments in road transport undertakings and for the earnings of Irish railways owned by the companies, and the resultant revenue is set out in the table given below, together with the approximate figure for the second stage. For the main line railways, this means an increase of some £1,900,000 in disposable revenue on the year, of which no less than £1,080,000 falls to the London and North-Eastern. That company has devoted £837,000 to raising the distribution of the 4 per cent. second preference capital from $\frac{3}{4}$ to 2 per cent. and is placing £250,000 to contingencies. The L.M.S. and Southern payments are unchanged, as is the revenue of the latter company, while the former places the bulk of its additional revenue to contingencies. The Great Western, however, following a practice which has persisted for decades, distributes virtually the whole of its increase by raising the payment on the consolidated ordinary stock to 4 per cent. The position of the L.P.T.B. is somewhat complicated by the fact that the year has been

changed from the period ended June 30th to the calendar year. These results are fully up to market expectations, and exceed them in the case of the L.N.E.R. It is, however, difficult to know exactly what value can be placed on war-time accounts; it is probable that the 1940 figures provide an uncertain guide to results for

	Stage 2	Revd. 1940	To Reserve, etc.	Additional to div.	Revd. 1939
Gt. Western E.Mn.	7.0	6.8	...	0.2	6.6
Ordry.....	4.6%	4.0%	...	...	3.5%
L.M.S. E.Mn.	15.1	14.7	0.4	...	14.3
1923 Pref.	4.0%	4.0%	...	...	4.0%
Ordry.....	2.3%	1.5%	...	...	1.5%
L.N.E.R. E.Mn.	10.4	10.4	0.3	0.8	9.3
1st Pref.	4.0%	4.0%	...	...	4.0%
2nd Pref.	2.5%	2.0%	...	...	0.75%
Southern E.Mn.	7.2	6.8	...	...	6.8
Prefd.	5.0%	5.0%	...	...	5.0%
Defd.	2.7%	1.25%	...	...	1.25%
L.P.T.B. E.Mn.	4.9	4.8	...	0.4	...
"C" Stock ...	3.1%	3.0%	...	...	1.5%

£, † No comparable figure owing to change in accounting period.

the current period and quite clear that they give no indication of the long-term outlook. The figures suggest that the economics resulting from increased traffics have been greater than was commonly supposed. The percentage of gross receipts retained fell in the second half-year, and must decline further as rises in charges lag more behind those in costs.

* * *

India Vesting Complaints

The passage of another week has added a great deal to the complaints made by the market, and by investors, concerning the decision to take over the "dated" India stocks, but has brought little information or enlightenment. A question by Mr De La Bere to the Chancellor of the Exchequer, as to whether Dominion stocks would be taken over, and in particular whether the 5 per cent. loans of Australia, maturing 1945, would be included, elicited the response that it would be against national interests to give an assurance that they would not, a reply which suggests strongly that they will share the fate of the Indian loans. Actually, holders of the latter have little to complain of—at least no more than many other classes of investor—but, if the conviction grows that other stocks are to be requisitioned, their holders will presumably tend to sell, and transfer into the most acceptable alternative they can find, so as to avoid being late in the rush which, it seems reasonable to suppose, would follow any substantial further vesting, despite the lack of response to the Indian order. Since that was made, there has been a fall of about a point in many Australian stocks, but it would probably be a mistake to attribute this mainly to fears of acquisition. The more probable explanation is a marking-down in response to the deterioration of conditions in the Far East, and this is borne out by the fact that there has been very little selling. Suggestions to would-be investors that they should buy on the fall have, however, usually been rejected.

* * *

Inter-Exchange Communications

The suggestion of the authorities that stockholders in London and the Provinces must hand over, for Government use, the bulk, if not the whole, of their teleprinters and private lines threatens to impose considerable hardship upon those outside the London area. It will also add to the load on the Post Office telegraph system. Brokers have in recent years invested a good deal of money in speeding up communications, with the result that the price differences, which previously existed between London and even the largest Provincial exchanges, have tended to disappear. The process has, of course, been carried furthest in those securities with the freest market, and particularly in the Funds, with the result that an investor in, say, Glasgow suffered virtually no disadvantage from being far removed from the central

market. Now, apparently, except to the minor extent that brokers may be permitted to retain their communications, or may be able to find alternative means, these facilities are to be withdrawn. It is particularly hard that this measure should have coincided with the publication of the agreement, dealt with in some detail last week, whose principal aim is the unification of practice throughout the profession and a tightening of inter-exchange ties. It would be an exaggeration to say that the measure will have an important bearing on the total of new investment in gilt-edged stocks, but, in so far as it tends to bring the marketability of these in provincial centres down to the level of that in other securities, it will render them slightly less attractive. It is also the fact that a rupture of effective communications between London and the principal provincial bourses would lead to dealings being done in the latter at prices which could hardly cause satisfaction to the Treasury. It is, therefore, advisable that sufficient means of communications should be left to the exchange to ensure a nation-wide market in the Funds. Since the business in these is nearly equal to the total turnover in all other securities combined, the criterion of whether a line should be left in operation is largely a matter of the volume of business it carries. Granted this, some degree of pooling would doubtless be possible. But to take all, or nearly all, facilities from the exchange would make the problem of maintaining the present national market almost insoluble.

* * *

Gas Companies

The announcement that three leading gas companies, the Gas Light and Coke Company, Commercial Gas (operating in the East End), and South Metropolitan Gas, will not declare dividends on preference capital for the last half of 1940 has caused something of a collapse in the market value of gas stocks. Thus, the price of Gas Light and Coke 4 per cent. consolidated preference fell from $70\frac{1}{2}$ on Thursday, February 13th—the day before the announcement—to 65 on the following Monday, February 17, and South Metropolitan 6 per cent. irredeemable preference fell 10 points to 85 between the same dates. The shock is the more disagreeable to the market since in all three cases an interim dividend for 1940 had been paid on ordinary capital—although at a reduced rate. The decisive factor has of course been the concentrated bombing of

Company Notes

Imperial Tobacco Report

As was to be expected, the full accounts of Imperial Tobacco, for the year to October 31, 1940, do not add very much to the preliminary statement discussed in *The Economist* of February 1st. After all charges except fees, net profits have declined from £10,230,150 to £8,882,829, the lowest level since 1932-33, but it must be assumed that higher taxation is responsible for an important part of the fall. The amount of equity earnings at £8,020,620, against £9,367,941, implies a reduction in the tax-free rate of ordinary earnings from 24.9 to 22.4 per cent., a decline which is almost parallel to the cut in the total tax-free distribution from 23 to 21 per cent. After the normal allocation of £500,000 to general reserve, the carry-forward is increased from £1,612,927 to £1,620,937. The following table indicates the course of profits over the past three years:—

	Years ended October 31		
	1938	1939	1940
	£	£	£
Profit*	10,686,053	10,220,150	8,872,829
Preference divs.	852,209	852,209	852,209
Ordinary stock (tax free):			
Earned	9,833,844	9,367,941	8,020,620
Paid	9,890,762	8,630,501	7,512,610
Earned %	26.2	24.9	22.4
Paid %	25	23	21
General reserve	500,000	500,000	500,000
Carry forward	1,384,487	1,612,927	1,620,937

* After fees.

The balance sheet, as at October 31st last, shows some important changes in the distribution of assets compared with the statement at October 31, 1939. Thus, loans to and current accounts with associated companies have risen from £616,496 to £1,665,365. Stock in trade at cost—including this year estimated amounts recoverable under war risks insurance in respect of leaf damaged or destroyed—is reduced from £39,936,254 to £31,781,496. It is perhaps reasonable to assume that this is mainly due to declines in stock of leaf tobacco held by the company and in advances for new purchases at the end of October, 1940. The funds released have been put into Government securities, which are up from £1,746,700 to £8,270,614. Cash holdings have risen from £2,467,943 to £3,498,258, presumably on account of the difficulties of investing promptly in larger holdings of leaf. Both creditors and debtors show a further large increase. No light is shed by the report on the future of the Imperial Tobacco Company, but it is not difficult to see that, of all the problems of war-time trading, shipping difficulties are likely to prove the most intractable. There is



"'E KEEPS ON SAYIN' 'BOVREEL'"

Bovril -cheers!

Keep cheerful and invigorated with delicious Bovril. You feel more confident—you radiate that 'winning' smile. And the sustaining goodness of Bovril fortifies you against winter ailments.

Always keep BOVRIL in the house

London, in which all three companies operate, since the beginning of September last. The decision of South Suburban Gas to pay a final dividend of 1 per cent. on ordinary capital, making a total for 1940 of 3 against 4½ per cent., is welcome, but bears little relation to the experience of the other three companies, since the major part of its interests lie in the home counties to the south of Greater London. There is a long list of considerations which has necessitated this somewhat drastic decision on the part of the London companies. The dividend policy pursued up to last summer provides reason for believing that general difficulties of war-time trading—higher taxation and rising costs—would not have prevented a payment being made on preference capital. It is even possible that the gas companies could have carried those extra costs which have borne on them with particular severity, such as the provision of A.R.P. arrangements, the loss of revenue through blackout and the early evacuation, with all it means in smaller sales of gas, coke and apparatus. In the bombing of London last autumn, damage to the property of the gas companies, both to premises, to mains and to equipment was, however, severe and the loss through the leakage of gas was not negligible. Moreover, intensified bombing further reduced sales of all types and, in the particular matter of coke, the more strenuous war effort meant that the bulk had to be sold at minimum prices to industry, so that even the much reduced domestic demand could not be met. Add to these factors difficulties of obtaining labour and transport and further rises in all costs, and it is not difficult to understand that the immediate outlook for the London companies is a gloomy one. Their loss of earnings is, in a peculiar sense, a war casualty. It is to be feared that no marked improvement in their fortunes is yet in sight and that the secular trend for the industry was, in any case, perhaps not far short of its peak.

* * *

Manchester Ship Canal

The information contained in the report of the Manchester Ship Canal Company for 1940 has necessarily been severely reduced, and shareholders are no longer supplied with detailed revenue and expenditure accounts of the separate working of the Manchester Ship Canal itself, of the Bridgewater Canals and of railway working. The accounts of the whole undertaking, which are supplied in the traditional form, show a considerable expansion in receipts with which an expansion in expenses has more or less kept pace. Thus, total gross receipts of the Manchester Ship Canal at £1,753,392 have touched the highest level for the last ten years, as have total gross receipts for the whole

undertaking at £2,460,115, against £1,993,014 in 1939. Total net receipts, after deduction of general operating costs, at £1,188,012, also touched the highest level for the past decade. The most important increases in charges against profits are a rise in tax provision from £70,000 to £245,000 and the allocations of £100,000 for deferred maintenance and of £50,000 for war damage insurance against nil. The allocation for contingencies is maintained at £35,000. Thus, the surplus available for equity capital showed little change on that of the previous year, just exceeding the sums required to meet the 3 per cent. payment on the 5 per cent. maximum preference shares, and the 1½ per cent. dividend on ordinary shares, both of which are repeated. The carry-forward is again increased, from £23,467 to £25,269.

	Years to December 31		
	1938	1939	1940
	£	£	£
Gross receipts:			
Manchester Ship Canal	1,323,788	1,421,745	1,753,392
Total	1,860,581	1,993,014	2,460,115
Total net receipts ...	739,590	853,609	1,188,012
Taxation	40,000	70,000	245,000
Contingencies	35,000	35,000	35,000
Interest and other charges	519,756	533,602	692,793
Corpn. 3½% pref. div.	37,143	37,143	37,143
Surplus:			
5% pref. shares:			
Earned %	1.8	3.0	3.0
Paid %	2	3	3
Ord. shares:			
Earned %	1.0	1.6	1.6
Paid %	1	1½	1½
Carried forward	21,877	23,467	25,269

The balance-sheet does not show any important change, though it may be suggested that the elimination of much valuable statistical matter from the report in the national interest has hardly made necessary the elimination of the comparative figures, usually supplied by the directors. Cash holdings are lower at £278,735, against £484,721 in 1939 and £799,143 in the previous year, but the company has paid £150,000 to the Treasury in the form of advance of income tax and has acquired Government securities to the tune of £75,000. Stocks are higher at £172,269, against £147,943, while outstanding traffic accounts have increased from £224,324 to £771,474. On the liabilities side, accounts payable are up from £284,132 to £709,387. Thus, there is every indication that traffic on the canal has notably increased during the past year. The company's £1 ordinary shares, at the nominal price of 4s. ex dividend, yield £7 10s. per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

THE renewal of anxiety regarding the possibility of hostile developments in the Far East and the Balkans has given rise to a somewhat sombre outlook in most sections of the market. Among home rails, the situation was partially relieved before the dividend announcements by speculative buying and later sentiment remained firm, the distributions and revenue statements being at least as good as investors had any reason to expect and in some cases better. Business was on a small scale in the industrial market and most commodity markets were depressed by the possibility of a further extension of hostilities. In many cases, underlying diffidence was expressed rather by the marking down of quotations than by actual selling.

*

The funds were not encouraged by critical developments in the Balkans and the Far East, though the moderate degree of selling which developed in the gilt edged market before the week-end and on Monday was checked later in the week. On Monday, losses of ½ and 4 were common and included 2½ and 3 per cent. Consols and 2½, 2½ and 3 per cent. Funding. Three and 3½ per cent.

War Loan, and 3½ per cent. Conversion lost ½ on the same day. Later in the week, prices were mainly held, but there was some selling of L.C.C. 3½ per cent. stock. In the foreign bond market, the outstanding feature was the weakness of Far Eastern bonds to which political rumours gave rise. Japanese issues, which were easy on Friday, February 14th—the 5½ per cent. bonds of 1930 losing 4 points—recovered moderately in the early days of the current week, but Chinese issues were still generally offered. On Monday, French railways also lost ground.

*

Before the dividend announcements on Wednesday last, home rails lost ground on balance, although on Monday speculative buying led to a number of improvements. A gain of 1½ for Great Western ordinary was, however, followed by a fall of ½ point the next day, and a gain of 1 point for Southern preferred by a fall of the same amount. L.M.S. 4 per cent. preference, which lost 1½ points before the week-end, recovered ½ point this week and afterwards ruled steady. After the dividend announcements, Berwick second preference responded strongly to the improved distribution and put on 3½ points. Great Western ordinary showed no net movement.

Among foreign rails, Bengal and

North West improved a further 2 points at the end of last week. Canadian Pacific was on offer, both the ordinary and preference issues losing ground. There was further selling of Argentine rails.

*

No section of the industrial market displayed strength during the past week, and, while there was little selling pressure, a general apathy was responsible for declines in prices in most sections. Breweries were notably weak. Watney defd. losing as much as 3s. on Tuesday, when Bass, Benskins, Distillers and Guinness were also quoted lower. Losses in the iron and steel group included B.S.A., Babcock and Wilcox, Guest Keen and Powell Duffryn, while among motors Rolls Royce eased ½ on Tuesday. Textile issues were a weak market, but, in the catering sections, J. Lyons was firm. Among general industrials, Murex, Metal Box, Dunlops, Lever and Unilever and International Nickel were all quoted lower.

Mining markets closed last week with sentiment seriously depressed by the news of the Far Eastern situation, but there was no general slide in prices, and toward mid-week cautious buying was resumed. In the kaffir market, before the week-end, Crown Mines and W. Wit

(Continued on page 256)

Industry and Trade

Curtailment in Output of Consumers' Goods

The stage has now been reached when the Government is forced to resort to drastic curtailment in the output of goods for civilian consumption in order to release shipping space and labour for more urgent purposes, and to economise foreign exchange. Thus, last week it was announced that, for the six months ending on September 30th, supplies of cotton and linen piece-goods and made-up goods to retailers are to be eighty per cent., and those of rayon sixty per cent. smaller than during the corresponding period in 1939. Although the textile trades concerned are occupied on Government and export orders—the proportion of such orders to total orders varies among individual concerns—this decision may force some of them to cut their output very considerably. The cotton industry, for example, has been informed by the Cotton Controller that it will have to curtail production appreciably. It is understood that, in coming months, the industry will only be able to secure some sixty per cent. of its consumption of raw cotton last December and January; as a result it will have to run its mills at about fifty per cent. of capacity. But if the Government is now to conquer rightly taking steps to reduce the output of consumers' goods for the home market, it will also have to face the consequences upon industry of this necessary restriction that some units of production should close down completely for the duration of the war; only so will the fullest economy of labour and equipment be secured. The problem of choosing between different units bristles with difficulties, and there is also the awkward question of compensation. So far as cotton is concerned, the Government appears to have evaded the issue by asking the industry to formulate a scheme. But while the industry's co-operation is essential, it can hardly be allowed to dictate its own terms. The Government will have to face the problem of redundancy and compensation with—if not a cut-and-dried plan—a set of principles that will ensure some measure of equality of treatment between one industry and another and prevent undesirable price increases.

* * *

Encouraging Wool Textile Exports

The National Wool Textile Export Corporation, a non-trading corporation set up by the Export Groups and other trade organisations in the industry, is to be financed by a levy of one-tenth per cent. on purchases of wool supplied by the Wool Control for processing in the United Kingdom. No levy will be charged on wool intended for export without being processed. Last year the Wool Control handled wool to a value of over £60 millions, so that the Corporation should not suffer from lack of funds. The purpose of the Corporation, like that of similar bodies already set up in other industries, is to encourage and assist export in a variety of ways. It will maintain a central office to advise and assist manufacturers in matters of export, and will make provision for the conduct of market research and for obtaining the publicity abroad for the products of the industry. The trade is likely to show considerable interest in the work of the Corporation, for many manufacturers have already reached the limit of their allocation of yarn for the civilian trade in the current rationing period, and reduced allocations are expected for the next, so that if spinners are to avoid an increase in short-time working an expansion of export business is indispensable.

* * *

U.S. Aircraft Production

The output of aircraft in the United States rose appreciably between December and January from less than 800 units to 1,036 units. Of the aircraft produced last month, 957 were military machines, comprising training and operational units, and it is reported that this country is to receive a bigger proportion of them than the Fighting Services of the United States. But if the Allies are to reach superiority in numbers this year, America will have to expand her output very rapidly in

coming months, for Germany is striving hard to increase her capacity. Present estimates suggest that an output of 1,500 machines may be reached by June, provided full use is made of existing facilities and of the new plant due to be completed in the near future. But even if that target is attained, Great Britain will have to rely mainly on her own output of operational aircraft for the coming campaigns. At the same time there are indications of an intensification of America's efforts to make better use of her existing facilities and to extend her productive capacity, not only by additions to the plant of the aircraft industry proper but by drawing on the vast resources of the motor industry. Many of the expansion plans, however, are still in the discussion stage, and considering the time required for the extension of production facilities, it would be a feat if the rate of output were doubled by the autumn.

* * *

Lull in Shipping Losses

The reduction in shipping losses since early December, reflected in the accompanying table, has been welcome. The figures of losses for the week ended February 9th are again comparatively small; they comprise 19,364 gross tons of British and 10,442 tons of Allied shipping. But even at the level of some 50,000 gross tons per week the annual rate of British and Allied shipping losses is about 2½ million gross tons, which exceeds the capacity of British shipyards at present available for the construction of merchant ships. Moreover, there are

AVERAGE WEEKLY SHIPPING LOSSES
(In gross tons)

	British	British and Allied	British, Allied and Neutral
Sept. 3, 1939–April 28, 1940	21,500	24,900	40,500
May	22,600	49,800	59,300
June	57,900	97,300	121,400
July	56,700	67,400	82,500
August	64,800	72,700	82,400
September	76,200	90,300	101,000
October	63,600	78,900	88,300
November	68,100	85,400	89,200
Average, June–November ...	64,500	81,500	93,500
December, 1940	52,213	65,000	68,300
January, 1941	31,712	46,100	46,700

reasons for the belief that Germany may soon intensify her campaign on the Atlantic front; the possibility of an increase in the rate of shipping losses must therefore be faced. Fortunately, shipbuilding facilities in the United States can, and in fact are, being rapidly extended. Thus, the Maritime Commission is now awarding contracts for seven new shipyards for the construction of 200 ocean-going cargo vessels. In the near future, however, no effort must be spared to increase the output of British shipyards and to supplement it so far as possible by the purchase of second-hand ships in the United States and elsewhere.

* * *

Dearer Tin

The London tin price, which had been stable between £256 and £257 per ton since the beginning of December last, has advanced rapidly since the middle of last week. On Wednesday the cash price was

CITY OF TOKYO FIVE PER CENT. LOAN OF 1912 STERLING ISSUES.

NOTICE IS HEREBY given that the COUPONS due 1st March, 1941, will be PAID on that date between the hours of 11 and 12 and subsequently (Saturdays excepted) between the hours of 11 and 2 at The Yokohama Specie Bank Limited, where lists may be obtained. Coupons must be left three clear days for examination prior to payment.

For the YOKOHAMA SPECIE BANK, LTD.,
H. KANO, Manager.

7 Bishopsgate, London, E.C.2.
14th February, 1941.

£271 10s. - £271 15s., while the three months forward quotation, which had been above the cash price since August last, was then £3 5s. per ton below the latter. The chief reason for this sudden change is the growing political tension in the Far East, which has caused a strong re-stocking demand both in this country and in the United States. As something like two-thirds of the world's tin is produced in Eastern Asia, chiefly in Malaya, the Dutch East Indies, Siam and China, the sensitiveness of the market to changes in the political barometer can be readily understood. According to the Tin Research Institute world production of tin rose from 184,300 tons in 1939 to 236,600 tons in 1940—a new record. Last December production, at 28,000 tons, reached the highest monthly total ever recorded, and as the 130 per cent. quota will remain in force throughout the first half of 1941, further increases are quite possible. Owing to the extension of the British blockade on the Continent, however, world consumption has fallen, and probably did not exceed 155,000 tons last year. The difference between production and consumption was fully absorbed by the United States Government's accumulation of a reserve, by an addition of about 20,000 tons to private American stocks, and by the accumulation of a minor reserve by the British Government. The American Government's buying programme will continue until about the middle of this year, when the planned 75,000 tons should have been accumulated. Unless the American Government decides to increase its holdings beyond the original limit—and there is the possibility of such an increase—quotas will have to be curtailed in the summer, although the extent of the reduction would be mitigated, at least to begin with, by the need for replenishing the 15,000-ton buffer pool, which was depleted in the early months of the war. A continuation of United States reserve purchases would secure price stability around those ruling before the recent upward movement, for the price at which the American Government acquires its metal is fixed in its agreement with the International Tin Committee. But if a conflagration in the Far East became probable instead of possible, prices would continue to rise sharply.

* * *

Milk Prices

In an effort to prevent a repetition next year of last November's milk shortage the Ministry of Food has announced, well in advance, the prices which it proposes to guarantee to milk producers up to the end of March, 1942. It may be remarked, in parenthesis, that this foresight is more likely to accomplish its purpose if it is accompanied by a corresponding foresight in the matter of rationing cattle-feed; the present coupon muddle is not favourable to milk production. The returns which farmers will receive, in excess of those received in the corresponding months of 1938-39, are shown in the table below. To give some idea what proportionate increase this represents, the actual pool prices for one fairly representative region are also shown. These pool prices are the basic prices from which have to be deducted, in most

cases, charges for transport, and to which may be added premiums for special quality or services:—

		Guaranteed pool prices per gallon Eastern Region	Increase in producers' returns compared with 1938-9
		s. d.	s. d.
April 1941	.....	1 6	5
May	.....	1 2½	4
June	.....	1 2½	4
July	.....	1 4½	4
August	.....	1 5½	5
September	.....	1 5½	5
October	.....	2 0½	10
November	.....	2 3½	1 0
December	.....	2 4½	1 1
January, 1942	.....	2 4½	1 1
February	.....	2 3½	1 0
March	.....	2 0½	10

These increases in producers' margins are based upon a careful forecast of the probable movement of the cost of production, but if at the end of September, 1941, or at the end of March, 1942, the producers claim, through the agency of the Milk Marketing Board and the Farmers' Union, that the average increase in costs for the preceding six months over the costs for the corresponding six months of 1938-9 has exceeded the average increase in producers' returns, the Ministry of Food will review prices and make retrospective adjustment. The marked rise in October, 1941, is accompanied by an appeal to farmers to arrange their calving plans in such a way as to ensure an increase in the supply of milk next winter. If, in addition to guaranteed prices, some definite assurance concerning the supply of feeding stuffs could be forthcoming, this policy should have a good chance of success.

* * *

Mr Middleton in Whitehall

Having frequently urged the necessity for more education of the general public in their duties as war-time citizens, *The Economist* owes acknowledgment to one Ministry which is admirably carrying out its duties in this respect. The Ministry of Agriculture publishes frequently "Growmore Leaflets," which are excellently designed to help small farmers and gardeners, both amateur and professional. A leaflet last autumn on the uses of horse-chestnuts, acorns and beechmast for feeding stock probably taught even experienced farmers something they had not known before, while those published in the last two weeks on home vegetable growing and on tomato raising are models of clear exposition which should give confidence to the most timid beginner. Judging by the popularity of wireless talks on gardening, there is a wide demand for elementary horticultural instruction; the Ministry of Agriculture (which, by the way, pays the leading wireless exponent of the subject the remarkable compliment of alluding to him in another of its publications as "Mister" Middleton, adding in parenthesis that the "Mr" is rather a term of affection than a formal mode of address), is making a very creditable effort to meet that demand.

COMMODITY AND INDUSTRY NEWS

The marked increase in the price of tin during the last week is discussed on page 253; rubber prices have also been firm on increased tension in the Far East. The wheat market has been somewhat weak, and the position on the oilseed and vegetable oil markets shows no particular change. Supplies of eggs appear to be larger and the price has once again been reduced, while the prospect of more onions is favourable. Tea, on the other hand, will be bought in smaller quantities under the new agreement. The implications of the Government's decision to take complete control over cotton imports are discussed on page 240.

Grains.—The wheat market has been weak and North American prices and options remained easy at the beginning of the week, owing to restricted import interest and the uncertain international political situation. Prices were somewhat easier. Supplies of rationed feeding stuffs were inclined to be larger and there was a steady demand for non-controlled commodities. A normal supply of barley

was on offer, though demand was slow, while the light offerings of oatmeal were in demand.

Oils and Oilseeds.—Supplies continue satisfactory, and manufacturing plants are able to count on having war-time requirements met in good volume. The Control is steadily covering immediate and future requirements, principally in the Indian market by purchases of ground nuts, but there is little interest at present in other oilseeds, except perhaps copra. Shipments of Argentine linseed are still making but small impression on the huge exportable surplus which, according to the Argentine Ministry of Agriculture, is now 1,367,000 tons as against 837,000 tons a year ago. Since January 1st, exports have been only 57,000 tons compared with 240,000 tons in the corresponding six weeks of 1940, and have included only 13,000 tons destined for Europe compared with 151,000 tons—evidence of the inability of crushers on the Continent to import

supplies. Argentine shippers have abolished the minimum price for old crop, while in the open market easier prices are recorded for new crop for early shipment when shipping space is available.

Cheaper Eggs.—The Ministry of Food made an Order which came into force on February 17th, reducing wholesale prices by 2s. 6d. per 120 and retail prices by 3d. per dozen, of all categories of home-produced hen and duck eggs; this is the second reduction in a fortnight, the previous Order having come into force on February 3rd. The maximum wholesale price of Category A eggs is now 27s. 6d. per 120, and the retail price 3s. per dozen. These prices are the lowest since last August. Supplies of home produced eggs have improved, and there have been fresh arrivals of Egyptian eggs; small releases of Australian, Argentine and Chinese eggs have been made, and there is a gradual improvement in the supply position.

(Continued on page 262)

COMPANY MEETINGS

BAY HALL TRUST LIMITED

RESULTS MOST SATISFACTORY

The seventh ordinary general meeting of Bay Hall Trust, Limited, was held on the 19th instant, at the company's offices, Princes House, 95 Gresham Street, London, E.C.

Mr Charles J. Hambro (chairman of the company) presided. The chairman, in the course of his remarks, said: Before commenting on the report and accounts for the past year, I should like to pay tribute to the late Viscount Horne of Slamannan, who died, after a sudden illness, on September 3rd last. Viscount Horne became chairman of your company on its inception as a public company in 1936, and held that office up to the day he died. The benefit of his vast experience will be greatly missed at our conference table, and your directors personally mourn the loss of a very dear friend.

You will observe from the profit and loss account that the gross revenue amounted to £109,161. Debenture interest, directors' fees, management expenses and some small items amounted to £34,018, leaving a net profit of £75,143, against £86,433 for 1939. These net profit figures are not strictly comparable. The gross revenue from dividends and interest was practically unchanged, but the 1939 profit included, as you will remember, a sum of £7,471 recovered in respect of arrears of Dominion Tax relief, whereas this year there is a net outgoing for income tax of £2,639. Bearing that in mind, and having regard to the difficulties of the past year, you will, I think, agree with me that the 1940 results are most satisfactory.

PROFIT AND DIVIDEND

The net profit for the year of £75,143, added to £71,567 brought forward, make a total of £146,710 available for appropriation. Your directors have placed £10,000 to the credit of realisation reserve account, against obligatory realisation of some of our dollar securities at a loss under the requisitioning scheme, and they recommend the payment of a dividend of 6½ per cent., which will absorb £65,382. This will leave a balance of £71,328 to be carried forward to new account.

The allowance for Dominion relief amounts to 2s. 11d. in the £, therefore the net income tax to be deducted from this dividend will be at the rate of 5s. 7d. The relief is made up as to 2s. in respect of 1940 and as to 11d. in respect of arrears due to us for previous years. The proposed dividend is therefore equivalent to 7½ per cent., less tax at the standard rate of 8s. 6d.

Turning to the balance-sheet, there is little to report. The issued capital and the nominal amount of debentures outstanding are again unchanged. On the assets side, share and debenture holdings at £1,643,751 are lower by £24,131, largely due to the requisitioning by the Treasury of certain of our U.S.A. investments. The sale price of these investments was, in the aggregate, below our book-cost, and the loss resulting was debited to realisation reserve account.

VALUE OF INVESTMENTS

At market prices on December 31, 1940, or—where no market price existed at that date—at valuations by the directors, the share and debenture holdings and British Government securities had an aggregate value of £1,717,371, compared with their book-cost of £1,786,451. The depreciation represents 3.9 per cent. under cost, compared with an appreciation of 2.3 per cent. for the previous year. In other words, the aggregate value of our investments over the past year shows a decline of 6.2 per cent. Taking into account the acute and diverse international happenings during that period, and the consequent reaction on investment values of all descriptions, there is, I suggest, good cause for satisfaction that the decline is so relatively slight.

The geographical distribution of the investments based on the valuations at December 31st—including British Government securities—showed that about 96 per cent. are situated in the United Kingdom, South Africa, and other parts of the British Empire, and the balance of 4 per cent. are in the United States and elsewhere.

The report and accounts were unanimously adopted, the dividend of 6½ per cent. approved, the retiring directors were re-elected, and the auditors were reappointed.

THE STANDARD TRUST

ORDINARY DIVIDEND MAINTAINED

The thirty-eighth annual general meeting of the Standard Trust, Limited, was held, on the 14th instant, in London.

M. Ian W. W. Shepherd (the chairman), in the course of his speech, said: The gross income of the Trust for the year is £98,840, as compared with £101,741 last year, a small decrease of £2,901. Owing, however, to an increase of £4,345 in taxation, the net revenue is diminished by £6,774, notwithstanding some small savings in the cost of administration. Your directors feel fully justified in recommending that the dividend on the ordinary stock for the year be maintained at 5 per cent.

A valuation of the investments reveals a further decline of approximately 7 per cent., and, as mentioned last year, this depreciation is arrived at without attaching any value to the investments in Germany or German occupied territories, which, since our last general meeting, have been extended to include Norway, Denmark, Holland, Belgium and France.

During the past financial year the Government has requisitioned a large proportion of our American securities to provide additional foreign exchange with which to finance the country's purchases abroad. As a result of this action certain capital profits and, I regret to say certain losses, have had to be realised. Your directors are still actively occupied, as opportunities present themselves, with the reinvestment of these funds with a view to protecting the revenue position so far as this is possible. A further change, evident from these requisitionings, is revealed by the geographical distribution of the investments shown in the report, from which stockholders will have noted that the percentage attributable to Great Britain and the Empire has risen from 60.72 per cent. to 67.01 per cent., while that of the U.S.A. has declined from 14.25 per cent. to 9.97 per cent.

Despite the shrinkage in revenue and the fall in the value of our securities, the results may be considered not unsatisfactory, with which view, I trust, stockholders will agree.

The report and accounts were unanimously adopted.

F. W. WOOLWORTH AND COMPANY, LIMITED

BURDEN OF TAXATION

The thirty-second annual ordinary general meeting of the company was held, on the 14th instant, in London, Mr. W. L. Stephenson (chairman) presiding.

The following are extracts from the review of the year's operations by the chairman, which was taken as read:—

It has been a year of great and increasing difficulty. We have suffered some damage from the enemy and have also lost the services of the majority of our experienced men. The many Orders and Regulations sent out from the various Government Departments have thrown a great strain upon the organisation in order to comply with them both promptly and correctly.

The net profit for the year is £7,953,159. Of this amount taxation takes £4,310,910, dividend to stockholders, both preference and ordinary, will take £2,975,625, building reserve £250,000, benevolent fund £110,000—a total of £7,646,535, leaving the sum of £311,624 to add to the amount to be carried forward.

It will be noted that the total taxes, including income-tax, arising out of the company's operations for the year 1940 amount to over £5,000,000. The Purchase Tax, of course, operated only for a little over two months in the year in question, and then only partially, as all stocks purchased prior to October 21, 1940, were sold without the addition of the Purchase Tax. Should the company, therefore, be able to continue its business as successfully in this year as they have in the past year, it would seem as though something near £10,000,000 will be payable to the State on the year's operation.

It is possible that the increased tempo of the war machine will produce new difficulties and further restrictions of supplies. This is something obviously so much beyond our control that I can only express the hope that there will be as little dislocation as possible.

The report and accounts were unanimously adopted, and a final dividend of 1s. 6d. per unit, less income-tax at 8s. 6d. in the £, on the ordinary stock and a cash bonus of 9d., less income-tax at 8s. 6d. in the £, on the ordinary stock were approved.

OVERSEAS BANK RETURNS

NOTE—The latest returns of the Bank of Finland appeared in "The Economist" of Dec. 9th, 1939; Norway, of Apr. 13th, 1940; Denmark, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Switzerland, of June 15th; Java, of Oct. 26th; Latvia, of Oct. 5th; Estonia, of Nov. 30th; Yugoslavia, of Jan. 25; Sweden, of Feb. 1st; Hungary, New Zealand, Roumania, Japan and Portugal, of Feb. 8th; Egypt, Greece, Reichsbank, International Settlements, Canada and Turkey, of Feb. 15th.

U.S. FEDERAL RESERVE BANKS

Million \$'s	Feb. 14, 1940	Jan. 30, 1941	Jan. 13, 1941	Feb. 13, 1941
12 U.S.F.R. BANKS				
RESOURCES				
Gold Certifs. on hand and due from Treas.	15,075	10,807	10,004	10,003
Total reserves	16,070	20,270	20,264	20,258
Total cash reserves	335	373	351	345
Total U.S. Govt. secs.	2,477	2,184	2,184	2,184
Total bills and sec.	2,404	2,195	2,194	2,195
Total resources	19,482	23,317	23,295	23,363
LIABILITIES				
F.R. notes in circ.	4,840	5,846	5,906	5,931
Excess m. bank res.	5,800	6,800	6,310	6,330
Mr. bank res. dep.	12,151	14,347	13,842	13,871
Govt. deposits	642	258	692	622
Total deposits	13,526	16,405	16,310	16,330
Total liabilities	19,482	23,317	23,295	23,363
Reserve ratio	87.5%	91.1%	91.2%	91.0%
BANKS AND TREASURY				
RESOURCES				
Monetary gold stock	18,063	22,110	22,122	22,130
Treas. and bk. currency	2,977	3,097	3,099	3,100
LIABILITIES				
Money in circulation	7,411	8,548	8,627	8,605
Treas. cash and dep.	3,027	2,458	2,904	2,834

FEDERAL RESERVE REPORTING MEMBER BANKS—Million \$'s

ASSETS	Jan. 10, 1940	Dec. 31, 1940	Jan. 8, 1941	Jan. 15, 1941
Loans, total	8,640	9,900	9,298	9,280
Investments	14,485	16,137	16,310	16,330
Reserve with F.R. bks.	9,023	11,707	11,975	12,142
Due from domestic bks.	3,030	3,462	3,388	3,475
LIABILITIES				
Deposits: Demand	18,823	22,299	22,481	22,703
Time	5,274	5,432	5,419	5,468
U.S. Govt.	583	474	471	372
Inter-bank	8,717	9,757	9,778	9,895

CENTRAL BANK OF ARGENTINA

Million paper pesos	Nov. 30, 1939	Oct. 31, 1940	Nov. 15, 1940	Nov. 30, 1940
ASSETS				
Gold at home	1,224	1,120	1,096	1,071
Other gold & for. exch.	158	210	241	253
Non-int. Govt. bonds	119	119	119	119
Treasury bonds	396	395	395	395
LIABILITIES				
Notes in circulation	1,155	1,164	1,164	1,173
Deposits: Government	104	148	118	131
Banks	524	394	420	460
Certs. of participation	111	185	180	113
Reserve ratio	77.2%	78.1%	78.0%	74.0%

AUSTRALIAN COMMONWEALTH BANK—Million £'s

ASSETS	Dec. 18, 1939	Dec. 2, 1940	Dec. 16, 1940	Dec. 30, 1940
Gold and English stg.	16-03	16-71	16-71	16-71
Other coin, bullion, etc.	7-13	6-32	6-48	5-51
Call money, London	28-02	55-58	56-97	61-91
Secs. and Treas. bills	100-38	92-69	91-01	91-31
Discounts and advances	19-16	28-79	28-49	28-05
LIABILITIES				
Notes issued	57-27	62-12	62-62	64-37
Deposits, etc.	95-32	118-92	121-84	123-39

NATIONAL BANK OF BULGARIA

Million levas	Nov. 7, 1939	Oct. 31, 1940	Oct. 1, 1940	Nov. 7, 1940
ASSETS				
Gold holdings	2,000	2,006	2,006	2,006
Balance abroad, etc.	1,053	1,487	1,476	1,506
Discounts and advances	2,484	2,431	2,749	2,650
Advances to Treasury	3,417	3,373	3,373	3,373
LIABILITIES				
Notes in circulation	4,612	5,088	6,262	6,310
Sight liab. and deposits	3,363	2,924	3,118	3,075
Cover	25.4%	25.0%	30.0%	30.8%

RESERVE BANK OF INDIA

Million rupees	Feb. 9, 1940	Jan. 31, 1941	Jan. 1, 1941	Feb. 1, 1941
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	592	308	311	306
Balance abroad	199	584	670	639
Sterling securities	1,105	1,355	1,355	1,405
Indian Govt. rupee sec.	384	496	496	490
Investments	91	72	72	70
LIABILITIES				
Notes in circ. India	2,278	2,289	2,298	2,351
Burma	141	148	152	162
Deposits: Govts.	118	230	291	235
Banks	213	466	469	469
Reserve ratio	61.4%	69.1%	69.1%	69.8%

PRAGUE NATIONAL BANK

Million Crowns	Nov. 7, 1939	Nov. 15, 1940	Nov. 23, 1940	Nov. 30, 1940
ASSETS				
Gold	1,430	1,433	1,433	1,447
Foreign exchange	750	706	765	782
Other cash	1,521	1,577	1,742	1,888
Bills and securities	271	83	81	40
Advances	6,573	6,525	6,804	6,869
Other assets	6,258	6,145	6,152	5,970
LIABILITIES				
Note circulation	881	870	892	919
Cash certificates	1,525	1,647	1,795	1,698
Clearing deposits	1,621	1,431	1,425	1,476
Other liabilities				

NATIONAL BANK OF ROUMANIA

Million lei	Nov. 25, 1939	Sept. 25, 1940	Nov. 9, 1940	Nov. 9, 1940
ASSETS				
Gold and gold exchange	20,048	31,930	32,039	32,062
Foreign exchange	2,046	2,190	1,155	1,227
Commercial bills	18,688	19,487	20,365	20,268
Treasury bills issued	4,622	4,405	4,409	4,408
Advances on sec.	8,740	5,783	5,771	5,838
State debt	5,883	3,566	3,566	3,566
Secs. and participatns.	2,808	2,584	2,585	2,585
LIABILITIES				
Notes in circulation	48,338	62,342	63,532	63,537
Other sight liabilities	9,849	13,093	14,291	14,523
Long-term liabilities	6,699	3,022	2,980	2,980

SOUTH AFRICAN RESERVE BANK

Million £'s	Jan. 19, 1940	Jan. 3, 1941	Jan. 10, 1941	Jan. 17, 1941
ASSETS				
Gold coin and bullion	19,940	19,941	19,941	19,941
Bills discounted	29-94	42-81	42-89	43-00
Invest. & other assets	8-02	0-77	0-62	0-51
LIABILITIES				
Notes in circulation	17-92	24-14	23-38	21-84
Deposits: Government	7-11	2-48	2-33	3-24
Bankers	24-71	44-89	47-91	47-49
Others	5-66	4-92	4-32	5-27
Reserve ratio	56.6%	56.3%	55.7%	56.8%

EXCHANGE RATES

Rates Fixed by Bank of England

Official exchange rates fixed by the Bank of England remained unchanged between February 13th and February 19th. (Figures in brackets are par of exchange.)

U.S. \$ (4-863) 4-024-34; mail transfers, 4-024-034. Can. \$ (4-863) 4-43-47; mail transfers, 4-43-47. Sw. kr. (25-224) 17-30-40. Sw. kr. (18-159) 16-85-95. Arg. pesos (11-45) 16-95-17-13; mail transfers, 16-95-17-15. Ned. E. Ind. Fl. (12-11) 7-58-02; mail transfers, 7-58-04. Ned. W. Ind. (Fl.) 7-58-02; mail transfers, 7-58-04. Bel. Congo fr. 1761-4. 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 seven years have remained unchanged as follows: America, 1 cent pm-par. Canada, 1 cent pm-par. Switzerland, 3 cents pm-par. Sweden, 1 ore pm-par. Batavia, 1 cent pm-par.

MARKET RATES

London on	Par of Exchange per £	Feb. 13, 1941	Feb. 14, 1941	Feb. 15, 1941	Feb. 17, 1941	Feb. 18, 1941	Feb. 19, 1941
Budapest, Pen.	27-82	(d)	(d)	(d)	(d)	(d)	(d)
Belgrade, Dia.	278-32	155*	155*	155*	155*	155*	155*
Sofia, Lev.	678-66	200*(g)	200*(g)	200*(g)	200*(g)	200*(g)	200*(g)
Heligoland, Mk.	193-23	315*	315*	315*	315*	315*	315*
Alexandria, Ps.	971	180-210	180-210	180-210	180-210	180-210	180-210
Madrid, Pa.	25-221	971-4	971-4	971-4	971-4	971-4	971-4
Istanbul, ST.	110	520(b)	520(b)	520(b)	520(b)	520(b)	520(b)
Athens, Dr.	375	515*	515*	515*	515*	515*	515*
Bucharest, Lei	813-8	(d)	(d)	(d)	(d)	(d)	(d)
India, Rup.	115d.	171-4	171-4	171-4	171-4	171-4	171-4
Kobe, Yen	124-53d.	131-14	131-14	131-14	131-14	131-14	131-14
Hongkong, \$	141-15	141-15	141-15	141-15	141-15	141-15	141-15
Bio, Mil.	75-89d.	(d)	(d)	(d)	(d)	(d)	(d)
Valparaiso, Pes.	40	(d)	(d)	(d)	(d)	(d)	(d)
Lima, Sol (c)	17-38	(d)	(d)	(d)	(d)	(d)	(d)
Montevideo, \$	151d.	(d)	(d)	(d)	(d)	(d)	(d)
Singapore, \$	125d.	281-4	281-4	281-4	281-4	281-4	281-4
Shanghai, \$	1	31-11	31-11	31-11	31-11	31-11	31-11
Bogota, Pes.	...	61	61	61	61	61	61

* 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)

Working days	Week ended	Aggregate January 1 to	Week ended	Aggregate January 1 to
Feb. 17, 1940	Feb. 15, 1941	Feb. 17, 1940	Feb. 15, 1941	Feb. 17, 1940
6	6	41	41	1,501
Birmingham	2,294	17,572	16,581	10,870
Bradford	1,365	2,462	10,198	14,888
Bristol	1,323	1,939	11,514	12,528
Hull	859	570	6,468	4,971
Leicester	780	886	5,712	6,082
Liverpool	9,164	5,435	42,891	36,942
Manchester	11,026	11,127	81,015	80,407
Newcastle	1,501	1,307	10,870	10,848
Nottingham	438	458	3,579	3,696
Sheffield	627	549	5,913	4,910
10 Towns	26,383	26,810	195,532	190,014
Others	6,595	6,494	42,049	39,749

* Feb. 10, 1940, and Feb. 8, 1941.
† Clearing begun May 14, 1940.

MONEY RATES, LONDON

The following rates remained unchanged between Feb. 13th and Feb. 19th: Bank rate, 2% (changed from 3% October 26th, 1939). Discount rates: Bank Bills, 60 days, 4%; 3 months, 1%; 4 months, 1%; 6 months, 1%; Treasury bills: 2 months, 1-1/4%; 3 months, 1-1/4%; 6 months, 1-1/4%; Short loans, 1-1/4%. Bank deposit rates, 1%. Discount deposits at call, 1%; notice 1%.

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
Feb. 13..... 23 1/2 23 1/2 Feb. 18..... 23 1/2 23 1/2
" 14..... 23 1/2 23 1/2 " 19..... 23 1/2 23 1/2
" 17..... 23 1/2 23 1/2 " 19..... 23 1/2 23 1/2

NEW YORK EXCHANGE RATES

New York on	Feb. 12, 1941	Feb. 13, 1941	Feb. 14, 1941	Feb. 15, 1941	Feb. 17, 1941	Feb. 18, 1941
London:—						
Cables	408 1/2	403	403	403	403	403
Switzerland, Fr.	23-25	23-23	23-23	23-23	23-23	23-23
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. \$	83-250	83-500	83-750	84-500	84-500	84-500
Japan, Yen	23-45	23-45	23-45	23-45	23-45	23-45
Shanghai, \$	5-65	5-67	5-76	5-81	5-81	5-81
B. Aires, Pes (mkt. rate)	23-60 1/2	23-60 1/2	23-60 1/2	23-60 1/2	23-60 1/2	23-60 1/2
Brazil, Milreis	5-05	5-05	5-05	5-05	5-05	5-05

‡ Official buying rate 20-78. (c) Nominal.

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.
Canals		£	£	£	£	£	£	%	£	£	£	£	%
Manchester Ship Canal ...	Dec. 31	2,460,115	...	250,219	273,686	157,140	56,277	1½	35,000	+ 1,802	1,993,014	250,007	1½
Seaham Harbour Dock ...	Dec. 31	62,600	1,114	Dr. 8,196	17,748	...	...	...	...	+ 8,196	106,241	9,756	1½
Financial, Land, etc.													
Plantyre & East Africa ...	Sept. 30	45,582	10,482	15,582	22,563	450	12,000	10	...	+ 3,123	23,154	23,154	10 & 7
Scottish American Invest.	Dec. 31	299,240	...	133,630	232,598	45,694	69,795	10 & 7	20,000	+ 1,839	304,874	134,361	10 & 7
Gas													
Newcastle-upon-Tyne Gas	Dec. 31	416,116	...	152,676	228,175	27,701	131,128	5½	...	+ 6,153	406,766	145,206	5½
S. Staffordshire Mond ...	Dec. 31	48,388	...	17,893	42,691	4,950	8,427	25	...	+ 4,516	33,586	13,216	25
Iron, Coal and Steel													
Bolsover Colliery ...	Dec. 31	1,003,684	...	206,515	433,178	62,500	230,682	15	...	+ 3,333	847,587	359,745	15
Mather & Platt ...	Dec. 31	159,703	...	169,703	233,223	20,000	136,286	10	...	+ 3,337	146,867	146,867	10
Shireoaks Colliery ...	Dec. 31	37,038	...	10,038	34,901	...	10,062	2½	81	+ 105	70,152	29,902	6
Rubber													
Bandar Sumatra ...	July 31	15,490	...	7,820	8,672	...	3,994	4	3,000	+ 826	5,839	3,524	2½
Selang Central ...	Aug. 31	12,157	...	3,368	6,480	...	3,687	4-16	...	+ 319	4,608	2,808	Nil
Sungei Pagar ...	Sept. 30	22,096	1,014	7,540	8,725	...	4,798	7½	1,500	+ 1,248	6,284	2,281	2½
Shipping													
Isle of Man Steam ...	Dec. 31	507,939	37,146	38,910	57,233	...	38,000	6	...	+ 2,910	561,485	37,777	6
Tea													
Rajawalla Produce ...	June 30	59,315	...	17,204	19,963	8,758	5,839	4	...	+ 2,607	28,842	10,880	2
Textiles													
Huddersfield Fine Worsteds	Dec. 31	30,856	...	9,748	23,826	...	9,703	7½	...	+ 45	11,030	8,022	5
Wilkinson & Riddell ...	Dec. 31	59,326	...	52,017	79,788	5,688	32,175	12	14,000	+ 154	59,397	51,718	12
Trusts													
Debenture & Capital Inv.	Jan. 15	132,816	...	38,682	85,917	18,941	20,705	5½	...	+ 1,036	140,531	48,605	5½
Foreign & Colonial Invest.	Jan. 10	161,266	...	70,789	128,927	37,500	23,250	3½	10,000	+ 2,961	160,650	72,716	4
General Investors & Trs.	Jan. 31	60,463	...	39,974	41,492	11,271	12,122	9	...	+ 161	68,839	39,159	9
Guardian Investment ...	Jan. 20	54,557	...	31,302	50,481	13,125	18,125	6	...	+ 52	66,793	29,695	7
Scottish United Investors	Dec. 31	137,370	...	47,338	73,821	21,600	14,400	5	10,000	+ 1,338	133,912	45,768	5
Share & Gen. Inv. Trust.	Jan. 15	125,499	...	58,242	117,574	28,875	22,750	6½	...	+ 6,817	131,692	68,962	6½
Sterling Trust ...	Dec. 31	224,396	...	64,667	136,379	25,521	28,948	5½	10,000	+ 198	243,442	82,335	6½
Waterworks													
East Staffordshire ...	Dec. 31	23,884	...	6,652	24,840	1,237	4,000	10	1,250	+ 166	14,870	6,560	10
South Staffordshire ...	Dec. 31	550,209	15,000	74,754	108,564	19,171	52,878	7	...	+ 2,705	521,559	126,893	7
Sutton District Water	Dec. 31	186,930	...	57,608	80,504	10,788	36,988	10 & 7	10,000	+ 108	183,783	64,186	10
Tending Hundred Wwks.	Dec. 31	37,827	...	12,040	20,530	4,450	7,943	5	...	+ 353	40,847	16,000	8
Other Companies													
Blunstone and Elvin ...	Dec. 31	29,890	2,804	14,632	17,556	5,175	8,625	10	...	+ 832	24,782	13,870	7½
British Feeding Meals ...	Sept. 30	12,481	3,480	6,778	11,240	3,232	...	...	...	+ 3,546	8,089	3,047	Nil
British Cement Works ...	Dec. 31	93,286	...	15,827	51,658	...	13,406	17½	...	+ 2,421	93,248	27,678	20
Cement Limited ...	Sept. 30	138,585	36,450	32,544	36,632	9,100	22,440	8	...	+ 1,046	146,755	36,173	10
English Electric Co.	Dec. 31	517,066	100,000	368,736	497,578	73,830	192,251	10	100,000	+ 2,345	694,215	365,666	10
Freder Crepe Paper ...	Dec. 31	22,750	4,630	6,492	11,536	3,163	2,875	5	...	+ 424	23,202	9,035	10
General Engng. (Radcliffe)	Nov. 30	23,642	938	8,671	17,251	...	5,606	15	2,000	+ 1,065	10,446	4,327	Nil
Hubert (D. M.) & Co.	Sept. 30	161,698	...	3,866	6,668	...	5,000	5	...	+ 1,134	16,726	259	Nil
Humber Bros. ...	June 30	8,882,899	...	119,187	134,196	20,000	50,000	20½	500,000	+ 2,169	129,042	117,842	15
Imperial Tob. (G. B. & I.)	Oct. 31	983,467	...	8,872,828	10,485,755	852,208	7,512,610	10½	...	+ 8,010	120,230,150	10,220,149	23½
Libbig's Extract of Meat	Aug. 31	226,600	...	232,192	441,327	50,000	200,000	10½	...	+ 17,808	721,558	272,022	11½
Liverpool Daily Post, &c.	Dec. 31	276,690	...	181,049	284,016	10,000	175,000	25	...	+ 3,951	223,559	175,169	25
London Produce Clearing	Dec. 31	17,049	...	11,175	30,175	5,192	9,688	10	...	+ 75	43,879	32,250	15½
Milton Proprietary ...	Sept. 30	35,182	2,838	10,699	14,964	2,587	...	...	...	+ 100	36,521	15,940	20
M. Laren (Wm.) Sons & Co.	Dec. 20	10,699	...	106,157	111,330	60,667	16,500	3	25,000	+ 8,112	122,667	104,282	3
Philips (J. & N.) ...	Jan. 19	125,635	18,478	5,201	11,209	...	3,990	...	...	+ 5,201	49,361	12,134	Nil
Wembley Stadium ...	Dec. 31	34,835	14,572	19,318	23,842	2,070	12,300	...	8,000	+ 3,052	69,316	26,566	35
Weyburn Engineering ...	Oct. 31	112,613	15,695	5,201	11,209	...	25,875	22½	15,000	+ 3,524	95,398	55,638	22½
Whiteway Cycle ...	Nov. 30	169,124	...	49,574	77,918	5,175	...	...	...	+ 802	19,061	18,351	...
Totals (1,000's)	No. of Cos.									+ 1,633	49,173	82,566	...
Jan. to Feb. 22, 1941	46	18,640	265	11,736	14,878	1,626	9,280	...	...	+ 28	19,061	18,351	...
Week 1 to Feb. 22, 1941	188	51,214	1,972	29,248	46,553	4,376	22,200	...	...	+ 839	49,173	82,566	...

† Free of Income Tax.

BRITISH WHOLESALE PRICES

Feb. 11, Feb. 18,
1941, 1941

GRAIN, etc.		CEREALS AND MEAT		1941		1942	
Wheat.....			s. d.		s. d.		
No. 1, N. Mt. 490 lb. f.o.b. Vc.	27	6	27	3			
Eng. Gar. av. per cwt. (e).....	14	7	14	8			
Flour, per 280 lb.—							
Straights, d/d London	25	6	25	6			
Barley, Eng. Gar., av. per cwt.(e)	20	9	20	10			
Oats (e)	15	5	15	5			
Maize, La Plata, 480 lb., f.o.b.	11	0	11	0			
MEAT—Beef, per 8 lb.—							
English long sides	4	8	4	8			
Imported hinds	6	0	6	0			
Mutton, per 8 lb.—English	5	4	5	4			
Imported	8	0	8	0			
Pork, English, per 8 lb.	4	4	4	4			
BACON (per cwt.)—Wilt. 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	99	2	99	2			
Imported	99	2	99	2			
COCONA (per cwt.)—							
Accra, g.f.	35	0	35	0			
Grenada	82	6	85	0			
COFFEE (per cwt.)—							
Santos sup. c. & f.	Nom.		Nom.				
Costa Rica, medium to good ..	100	0	105	0			
EGGS (per 120)—English	125	0	135	0			
LARD (per cwt.)—Imported	27	6	25	0			
POTATOES (per cwt.)—	64	0	64	0			
English, King Edward	7	0	7	0			
SUGAR (per cwt.)—	9	0	9	0			
Centrifugals, 96°, prpt. shlpn.							
c.i.f. U.K./Cont.	7	6	7	6			
LONDON							
Granulated, 2 cwt. bags	40	6	40	6			
Granulated, 2 cwt. bags, domestic consumption ..	31	2	31	2			
West India Crystallised	41	6	41	6			
TOBACCO (per lb.)—							
Indian stemmed and un-	1	0	1	0			
stemmed	0	10	0	10			
Rhodesian stemmed and un-	0	10	0	10			
stemmed	2	0	2	0			
TEXTILES							
COTTON (per lb.)—							
Raw, Mid-American	8	55	8	52			
Giza, P.O.F.	12	03	12	04			
Yarns, 32's Twist	15	75	16	06			
" 40's Wrt	17	00	17	37			
" 60's Twist (Egyptian) ..	25	95	25	95			
Cloth, 32 in. Printers, 116 yds.							
16 x 10, 32's & 50's	24	8	25	9			
(e) & f. per ton net paper bags, jute sacks, charged							
(d) Including import duty and delivery charges.							
		Feb. 11, 1941		Feb. 15, 1941			
GRAINS (per bushel)—		Cents		Cents			
Wheat, Chicago, May	80	79	79				
Winnipeg, May	77	77	72				
Maize, Chicago, May	60	60	60				
Oats, Chicago, May	35	34	34				
Rye, Chicago, May	43	42	42				
Barley, Winnipeg, Dec.	43	42	40				
METALS (per lb.)—							
Copper, Connecticut	12	00	12	00			
Tin, N.Y., Straits, spot	50	25	51	25			

Notes in circulation

Feb. 11, Feb. 18,

(e) + Co. per ton net paper bags, jute sacks, charged	
(d) Including import duty and delivery charges.	
	Feb. 11, 1941
	1941
	Cents
GRAINS (per bushel)—	
Wheat, Chicago, May	80 79
Wheat, Winnipeg, May	77 77 1/2
Maize, Chicago, May	60 60 1/2
Oats, Chicago, May	35 34 1/2
Rye, Chicago, May	43 42 1/2
Barley, Winnipeg, Dec.	43 40 1/2
METALS (per lb.)—	
Copper, Connecticut	12-00 12-00
Tin, N. Y., Straits, spot	50-25 51-1/2
Lead, N. Y., spot	5-65 5-65
MONTHLY STATEMENT	
JANUARY, 1941	
	Date
ASSETS	
Coin, bank notes and balances with the Bank of England	
Balances with and cheques in course of collection other Banks in Great Britain and Ireland	
Items in transit	
Money at call and short notice	
Bills discounted	
Treasury deposit receipts	
Investments	
Advances to customers and other accounts	
Liabilities of customers for acceptances, endorsements, etc.	
Bank premises account	
Investments in affiliated banks and subsidiary companies	
Ratio of cash to current, deposit and other accounts	
LIABILITIES	
Capital paid up	
Reserve fund	
Current, deposit and other accounts	
Acceptances, endorsements, etc.	
Notes in circulation	

Feb. 11, Feb. 18

MONTHLY STATEMENT

JANUARY, 1941

Date

ASSETS

Cash, bank notes and balances with the Bank of England
Balances with and cheques in course of collection other Banks in Great Britain and Ireland.....
Items in transit.....
Bills at call and short notice.....
Bills discounted.....
Treasury deposit receipts.....
Investments.....
Advances to customers and other accounts.....
Liabilities of customers for acceptances, endorsements, etc.....
Bank premises account.....
Investments in affiliated banks and subsidiary companies.....

Ratio of cash to current, deposit and other accounts

LIABILITIES

Capital paid up.....
Reserve fund.....
Current, deposit and other accounts.....
Acceptances, endorsements, etc.....
Notes in circulation.....

(000's omitted)

Year	Percentage of Population Aged 65 and Over
1950	7
1960	8
1970	12
1980	14
1990	16
2000	17
2010	18
2020	19
2030	20
2040	20
2050	18

UNITED KINGDOM: MONTHLY STATISTICS

	Unit of Measurement	Monthly Average						1939		1940							
		1929	1932	1937	1938	1939	1940	Dec.	Jan.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
		(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	5.43	4.18	5.18	5.70	6.53	5.59	7.72	6.09	4.63	4.88	5.04	4.42	4.31	
2. Retail trade, Gt. Brit.: Food	Avg. daily sales in 1937 = 100	78	100	104	108	108	108	125	104	110	118	108	101	107	107	128	
3. " " Other merchandise	"	83	100	100	102	102	102	140	100	99	106	101	119	128	99	137	
4. " " Total	"	81	100	102	105	105	105	136	102	105	113	104	103	117	104	132	
5. Retained imports, value: Food	Thous. £'s	42,444	20,810	34,099	34,923	32,293	34,424	41,884	42,799	34,934	29,656	34,772	28,865	32,249	25,463	24,791	
6. " " Raw materials	"	23,774	11,740	23,203	18,112	18,009	27,004	22,174	29,730	28,138	27,197	26,254	21,879	23,019	18,969	18,150	
7. " " Manufactures	"	25,407	12,168	20,878	17,968	19,112	27,551	19,404	26,008	25,364	27,920	30,272	28,360	28,421	26,351	29,193	
8. " " Total	"	92,589	54,221	79,492	71,569	69,957	87,478	84,083	101,304	88,775	86,189	93,628	79,440	84,129	72,207	72,922	
9. Domestic exports, value: Food	Thous. £'s	4,555	2,625	3,232	2,993	2,977	3,779	3,845	3,850	2,780	2,615	2,726	2,628	2,220	1,472	1,929	
10. " " Raw materials	"	6,575	3,634	5,388	4,744	4,533	3,024	4,581	4,647	3,800	2,491	1,687	1,861	1,764	1,357	1,281	
11. " " Manufactures	"	47,899	23,031	35,737	30,448	28,181	27,997	30,588	31,751	28,976	25,555	27,905	26,272	19,023	18,272	20,643	
12. " " Total	"	60,779	30,419	43,466	39,240	36,628	34,424	40,169	41,074	36,211	31,189	32,555	31,177	23,991	21,666	24,897	
13. Registered unemployed G.B.	Thousands	1,212	2,766	1,413	1,791	1,514	963	1,362	1,519	767	827	799	830	835	791	705	
14. " " United Kingdom (a)	"	1,276	2,813	1,586	1,881	1,690	1,035	1,441	1,603	843	899	868	903	904	868	775	
15. " " London	"	118	306	171	226	239	214	287	309	183	209	223	230	200	158	127	
16. " " E. and S. England (b)	"	50	142	70	96	93	99	100	179	76	77	62	63	77	77	67	
17. " " S.W. England (c)	"	69	157	83	84	76	33	85	54	22	21	22	26	32	37	37	
18. " " Midlands & N. Midlands (d)	"	165	371	144	210	153	92	133	171	56	63	70	69	72	77	81	
19. " " N.E. England (d)	"	280	602	165	208	151	75	104	125	60	59	60	60	65	66	55	
20. " " N.W. England	"	285	562	304	398	309	149	246	260	122	126	117	114	111	102	86	
21. " " Northern Ireland	"	156	378	246	253	217	125	177	185	111	114	103	102	101	96	91	
22. " " Scotland	"	116	228	151	164	127	89	111	116	68	81	75	76	84	94	87	
23. " " Wales	"	36	68	71	91	76	75	79	84	67	71	68	73	98	72	70	
24. " " Northern Ireland	"	676	541	285	110	107	78	36	108	14	33	13	52	87	48	50	
25. Industr. disputes, No. days lost	"	676	541	285	110	107	78	36	108	14	33	13	52	87	48	50	
26. Wholesale Prices: Economist	1929 = 100	100	70.4	93.5	82.4	76.2	83.9	93.4	96.7	92.8	87.4	96.4	99.7	99.1	99.0	100.0	
27. Cereals and meat	"	100	72.8	78.6	68.4	76.4	83.9	92.9	92.8	93.0	93.4	95.0	96.2	98.8	98.8	96.0	
28. Other foods	"	100	53.4	73.7	58.6	63.8	89.4	92.9	92.8	93.0	93.4	95.0	96.2	98.8	98.8	96.0	
29. Textiles	"	100	76.3	108.4	97.4	100.0	125.0	116.4	116.0	125.4	127.0	126.4	126.4	126.5	133.9	133.9	
30. Minerals	"	100	67.8	89.3	77.8	80.3	104.3	99.8	99.5	105.7	103.9	106.4	106.7	106.8	108.8	109.1	
31. Total, incl. miscellaneous	"	100	81.8	90.7	82.4	76.2	83.9	93.4	96.7	92.8	87.4	96.4	99.7	99.1	99.0	100.0	
32. Cost of Living: Min. of Labour	1929 = 100	100	81.8	90.7	82.4	76.2	83.9	93.4	96.7	92.8	87.4	96.4	99.7	99.1	99.0	100.0	
33. Industrial securities, Fin. News	Jul. 1, 1935 = 100	102.0	64.8	110.2	85.6	78.1	88.2	106.1	108.0	114.0	112.8	114.0	115.3	117.0	118.9	119.6	
34. Fixed interest	1928 = 100	96.8	113.6	128.6	127.6	116.8	122.8	117.5	125.8	120.1	121.0	120.9	122.1	124.3	125.9	126.4	
35. Govt. Revenue, cumulative (e)	Mill. £'s	815.0	827.0	948.7	1006.2	1132.2	122.8	117.5	125.8	120.1	121.0	120.9	122.1	124.3	125.9	126.4	
36. " " expenditure (e)	"	829.5	859.3	919.9	1018.9	1408.2	122.8	117.5	125.8	120.1	121.0	120.9	122.1	124.3	125.9	126.4	
37. Bank of Eng.: Notes in circ. (f)	"	362.3	258.5	479.6	487.4	509.9	566	546.5	528.3	584.7	608.8	611.9	607.4	598.9	598.4	608.2	
38. " " Bankers' deposits (f)	"	62.9	81.3	97.2	103.8	102.8	110	101.6	105.0	102.1	102.4	115.7	117.7	107.8	114.0	121.7	
39. " " Gov. sec. B'king Dept. (f)	"	55.9	64.0	98.4	103.2	107.0	143	134.4	125.9	146.8	158.5	154.7	147.8	139.0	138.6	159.8	
40. Clearing Banks: (g)	"	1,738	1,791	2,287	2,277	2,248	2,484	2,441	2,320	2,469	2,454	2,481	2,597	2,661	2,702	2,800	
41. " " Cash & bal. with B.E.	"	104	187	235	241	244	285	264	233	270	262	273	288	270	285	324	
42. " " Discounts	"	229	308	281	280	255	306	323	375	384	415	430	401	378	339	265	
43. " " Treasury Deposit Receipts	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
44. " " Advances	"	991	844	954	976	991	944	968	964	962	932	919	937	934	923	906	
45. " " Investments	"	257	348	652	637	608	659	580	582	636	658	682	697	723	743	771	
46. Interest Rates: Bank rate	Per cent.	5.498	3.008	2	2	2.24	2	2	2	2	2	2	2	2	2	2	
47. " " Three months' bank bills	"	5.26	1.87	0.68	0.62	1.18	1.04	1.22	1.09	1.03	1.03	1.03	1.03	1.03	1.03	1.03	
48. " " Day to day loans	"	4.47	1.61	0.50	0.50	0.87	0.76	0.75	0.81	0.75	0.75	0.75	0.75	0.75	0.75	0.75	
49. " " Yield on 2½% Consols	"	4.61	3.75	3.29	3.39	3.76	3.40	3.69	3.49	3.48	3.48	3.48	3.48	3.48	3.48	3.48	

(b) 1937, average January to August: figures for September-December not comparable owing to revised method of counting adopted in September, 1937. (c) From September, 1939, Grimsby and Lincoln included in North Midlands instead of N.E. England. (d) From September, 1939, Grimsby and Lincoln included in North Midlands instead of N.E. England. (e) Ordinary and Self-balancing revenue and expenditure. Annual figures are totals for financial year, beginning in year shown. Monthly figures are cumulative. (f) Average of weekly figures. (g) Annual figures for 1929 and 1932. Data do not include District B.

(Continued from page 254)

Onions.—The Government is to purchase, at the price of 25s per ton, all bulb onions in sound and marketable condition grown in holdings of 1 acre or more, by which it is hoped to secure 14,000 acres of onions in 1941. The Ministry of Agriculture is importing seeds from the United States and elsewhere now that most European sources are cut off, and in spite of shipping difficulties it is hoped that adequate supplies will be available in good time for planting.

Dearer Bacon.—Details of higher retail bacon prices are to be issued before they come into force on March 10. It is expected that prices will revert to the level ruling in January 1940.

Tea.—Government purchases of tea for 1941 under the new agreement appear to be less than last season's. Purchases from India are to be 272,000,000 lb., from Ceylon 145,000,000 lb., from East Africa 27,000,000 lb., and from Java and Sumatra 48,000,000 lb. The corresponding figures for last season are higher in the case of India and Ceylon (323,000,000 lb. and 170,000,000 lb. respectively), but the Java and Sumatra figure represents an increase of 20 per cent. Prices show no change, except in the case of the Dutch East Indies, where the price fixed this year is 10d. per lb. f.o.b. Batavia, a rise of 2½d. per lb.

Poultry and Rabbits.—After February 24th importers of poultry and rabbits from Eire will be able to obtain supplies only under an Import Licence, issued by the Board of Trade after approval by the Ministry of Food. Licences will be obtainable only by firms who were regular importers from Eire during 1938, and they must furnish a guarantee to distribute their imports through their normal pre-war channels proportionately to their 1938 distribution.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended				From Aug. 1 to
	Feb. 1, 1941	Feb. 8, 1941	Feb. 15, 1941	Feb. 22, 1941	
N. America	447	389	12,939	10,389	
Argentina, Uruguay	136	87	11,873	5,062	
Australia	...	...	612†	...	
Russia	...	...	114	429	
Danube and district	...	...	4,172	182	
Other Countries	...	...	345	...	
Total	583	478	29,955	16,052	

* Unobtainable. † Incomplete. Source: The Corn Trade News.

RETAIL FOOD PRICES

	Average price per lb. at				Percent. increase since Sept. 1, 1939
	Sept. 1, 1939	Nov. 30, 1940	Jan. 1, 1941		
Beef, British:—	s. d.	s. d.	s. d.	s. d.	%
Ribs	1 2½	1 3½	1 3½	1 3½	10
Thin flank	7½	9½	9½	9½	25
Beef, chilled or frozen:—					
Ribs	9½	1 0½	1 0½	1 0½	34
Thin flank	4½	6	6	6	22
Mutton, British:—					
Legs	1 3½	1 5½	1 5½	1 5½	12
Breast	7½	8	8	8	7
Mutton, frozen:—					
Legs	10½	1 0	1 0	1 0	15
Breast	4	4	4	4	
Bacon	1 3	1 6½	1 6½	1 6½	24
Fish	1 1½	1 1½	1 1½	1 1½	75
Flour (per 7 lb.)	1 1½	1 1½	1 1½	1 1½	—1
Bread (per 4 lb.)	2 8½	2 8½	2 8½	2 8½	3
Sugar (granulated)	2 4	2 6	2 6	2 6	7
Milk (per quart)	3 3	5	5	5	32
Butter, fresh	1 4	1 4	1 4	1 4	33
Butter, salt	1 3½	1 6½	1 7	1 7	14
Cheese	10	1 1	1 1	1 1	24
Margarine:—					30
Special	} 6½	9	9	9	12
Standard		5	5	5	
Eggs (each)	2	3½	3½	3½	36
Potatoes (per 7 lb.)	6½	8½	8½	8½	32
Index, All foods, weighted (July, 1914 = 100)	138	173	172		241

of factories closed down and labour transferred will be kept and "the Departments concerned will take all measures open to them to assist their speedy reopening."

For this new policy in general there cannot be anything but unqualified, if somewhat impatient, welcome. It should have been made clear from the inception of the policy of limiting supplies that concentration of production was a necessary corollary. The hour is now so late that the task must be accomplished very quickly; the weapon of compulsion cannot be kept in reserve for very long. The President of the Board of Trade and the members of his Industrial and Export Council must steel their hearts to treat delay on the same footing as recalcitrance. Industries must be told that time is of the essence of their contraction.

It is unquestionably appropriate that industries should be given an opportunity of making their own arrangements for concentration before any question of compulsion arises. But the community has a concern not merely with the fact of concentration but also with the methods by which it is brought about. Circumstances should not be allowed to force the weaker firms in an industry to accept concentration on the terms of the stronger. Even apart from these questions of equity within the industry, there are points of general principle that arise. For example, in the majority of cases it would be better for the community if concentration took the form of a temporary pool of financial interests, or even a holding company, rather than that the majority of firms should, for the duration, lose not merely their physical participation in the trade but their financial interest as well. It is to be hoped that the negotiators will be provided with a code of principles to be followed wherever possible. This is not a matter that can be pursued quite haphazard.

Coupled with this general welcome, however, there will naturally be questionings on a number of the details and the implications of such a drastic policy. A whole series of problems revolves round the question of compensation. There is very considerable risk of real or induced confusion on this issue and it is important to get the various elements of the problem clear. It is obvious that an industry which has had its output compulsorily reduced to, say, 25 per cent. of its peacetime output has suffered severe financial damage, and it might well claim that since the necessity for the restriction arises out of the community's actions and cannot in any way be blamed upon the restricted industry, it should receive public assistance in the same way as the wounded, the widows and the orphans of the war. But this financial damage, and the resultant claim for compensation, emerge from the restriction of output, which is already in force. The new policy announced by Mr Lyttelton this week does not restrict output any further; it merely concentrates the existing restricted output. There is no reason, in the typical case, for supposing that the amount of profit accruing to the industry as a whole will be smaller when production is concentrated than when it is scattered. On the contrary, in the majority of cases it will be larger. There is, therefore, in general, no very strong case for compensation arising out of the policy of concentration, though there may be a case arising out of the previous limitation. What is necessary, of course, is to see that the profit made out of the concentrated output shall be equitably distributed among the different constituent units of the industry. Industries will have an opportunity of making their own arrangements for this, but in the typical case the nucleus factory (or factories) chosen to remain in production will, in effect, be trading not for its own account but as agents for the whole industry. Technical difficulties and commercial complications (of which the existence of brands and trade marks are not the least) will necessitate variations from this theme in different industries, but the principle is clear enough. Factories that are closed down can expect to receive a share in the profits of those that stay open; they should not ordinarily expect to receive compensation.

This will not, however, prevent claims for compensa-

tion from being put forward. It would be too much to expect that the effects of the previous limitation and the new concentration will always be rigidly distinguished. Where similar ideas have been put into practice or have reached the stage of detailed discussion—as, for example, in coal and cotton—it has usually been found necessary to include a *douceur* for those who are to be temporarily excluded, and the Board of Trade may well find that countenancing arrangements of the sort may be the price it has to pay for speedy agreement. If so, a warning must be entered from the outset. The financing of compensation to the excluded out of the proceeds of a levy to be added to the price charged to the consumer is an expedient that is indefensible in principle and pernicious in practice. It is a capricious and arbitrary form of regressive taxation. Where extra money has to be found for the payment of compensation and it cannot be taken out of the profits of those who remain in business, it should come from the Exchequer. To insist on this principle will, incidentally, ensure that compensation is paid only where there is genuine necessity for it.

Another set of questions arises out of the effect that the new policy, and its post-war corollaries, will have on the future organization of industry. The war has already very powerfully reinforced the previously existing tendency towards the "combination" of industries. For negotiating with the Government about output quotas or raw material allocations, for forming export groups, and now for devising concentration schemes—for all these purposes industries have been encouraged and compelled to regard themselves more and more as centrally directed and co-ordinated units. The Trade Association is already the governing body of the industry and now it bids fair to be the producing organism as well. All this was in greater or less degree inevitable in time of war, and it would be churlish for anyone who has advocated the mobilisation of industry to cavil at it. But for peacetime purposes the wholesale pooling, co-ordination and cartelisation of industry have severe and obvious disadvantages. The mechanism that has been built up in wartime for restricting production might be used in peacetime for the same purpose, though in a very different context. The latest development in the Government's industrial policy makes it more than ever imperative that the distinction between the requirements of peace and war should be clearly drawn, that the growth of monopoly and cartelisation should be very carefully watched, and that the Government and the public between them should devote a great deal of thought, before it is too late, to the problem of post-war industrial organization.

This necessity is enhanced rather than diminished by the tenor of the Government's proposals for restoring the *status quo*. There is to be a register of displaced firms and the Government are to "take all measures open to them" to assist in the reopening of these firms. These assurances are only reasonable. But what may they be taken to mean after the war? May it not be contended that newcomers in an industry must be kept at bay until every last one of the firms that existed in the industry in 1939 has been restored to production—and even to profitable production? The industries will certainly maintain such a claim and will try to enforce it by every device open to their Trade Associations; they will certainly invoke the assistance of the law, and unless public opinion is much more enlightened on the issues at stake than it has shown itself to be in recent years, the post-war Board of Trade will consider nothing more natural than to establish a *de jure* monopoly for the pre-war firms in these industries just as tight as the *de facto* monopoly which many other industries have already succeeded in establishing. The vista of restriction, of monopoly profits, of the discouragement of enterprise and the support of inefficiency thus opened up is frightening in the extreme. It may be true that there is nothing that can be done about it now—unless it is insistence upon

a rigid time-limit for the exercise of these special post-war favours. But extreme care will be needed immediately the war is over to ensure that those who have had the honour of being mobilised for the community's service do not exercise over the economic life of this country a dominance as restrictive and damaging as that exerted over the political life of other democracies by the "veterans" of their wars.

None of these questionings, however, should detract from the merits of a very substantial advance in the technique of industrial mobilisation. They should not, for example, be held to justify any watering-down

or postponement of plans that are already sufficiently mild and tardy. On the contrary, the next need is to extend a policy which is now proposed for a relatively small group of productive industries to the long list of other non-essential trades. As in every other department of the Government's mobilisation plans, the large service trades are still ignored. Distribution, for example, is much the largest reservoir of labour which, though it may not be "factory-trained," could nevertheless quickly be put to munitions work. The next task for the Board of Trade is to devise a plan for the concentration of retail trade.

Salvation by Ships

THE Commons are to debate shipping in secret, for there is something like a revolt in certain circles against the Admiralty. True, it is not the First Lord, but the Minister of Shipping, who is under fire. No critic would question the proved power of the Navy or the world-wide success of its activities to which Mr Alexander drew attention on Wednesday when introducing the Navy estimates. The President of the Chamber of Shipping paid tribute last week to the "ceaseless ingenuity and tireless work" of the Navy. But the charges Lord Rotherwick made touched matters which are the Admiralty's responsibility. He complained that slow ships had been built by the Government instead of fast ones; and that the best use was not being made of the fast ships there are. Actually, commercial shipbuilding is ordered by a department of the Admiralty; the First Lord disclosed on Wednesday that steps were being taken to give the construction of merchantmen the priority given in earlier crises to aircraft and Army equipment. The convoy and routing arrangements which determine the use of ships at sea, as well as the speed of their arrival in port and their times of sailing, are dependent upon Admiralty decisions. The belief of the shipping industry is that private enterprise could have done the wartime job better than public control; and, in their eyes, it is the Minister of Shipping who represents control. They had no alternative but to accept the policy of requisitioning. But they are dissatisfied with the rates of hire they are receiving; and they are discontented because they are not allowed to use insurance payments for war losses to buy in Government-built vessels. The fear of the industry is that, as the volume of privately owned shipping is reduced by sinkings and the volume of publicly owned shipping expanded by new construction, the basis is being laid for nationalisation. The desire of the shipowners, therefore, is to buy off the menace: to use insurance payments to keep up the strength of their fleets by the purchase of Government vessels; and to be paid sufficient in hire to maintain replacement reserves.

These contentions cannot simply be set aside. The trouble is that, at the moment, they tend to confuse larger considerations of national strategy—and security. It is unlikely that the Government has any intention of nationalising shipping and that the present arrangements represent a Macchiavellian means of doing it. Equally, it would be poor business for the shipowners to purchase these new ships at their present high cost. It is even improbable that they would be prepared to do so—without conditions. The fact that the Government requires a portion of the insurance payments for war losses (all over and above the pre-war value of the ships lost) to be pooled in a replacement fund suggests that the official wish is simply to leave the whole question of post-war shipping policy fluid—including the disposal of the Government fleet. If it would allay the industry's suspicions, the Government might at once make it clear that their object is definitely not to drive private enterprise out of business. The fears of the shipowners are not unnatural. But the demand for a "shipping man" to

run shipping has no more to commend it than any other scheme to insert self-government of an industry into public control. When Lord Rotherwick claims that, if a proportion of wartime building capacity had been set aside for private enterprise, the result would have been a "considerable volume" of faster tonnage, it is difficult to agree. It is true that, owing to the present shortage of escort vessels for convoy work, there is a case for building more ships capable of beating the U-boats by their pace. It is equally true that, as Lord Rotherwick said, it is only now, after eighteen months of war, that attention is being turned to building faster cargo liners. But the reason surely is that the strategic situation at sea has been greatly changed by circumstances which not even the most prescient shipowner could have foreseen when the wartime building programme was devised. When the war started, the Navy was confident that it would provide adequate protection, with Allied aid, for all convoys, and in the first nine months of war its confidence was amply justified. It was perfectly reasonable that plans should be drawn for building ships suited by their capacity and speed for relatively slow trips in well-loaded convoys; and it is very hard indeed to imagine that private shipbuilders would have acted otherwise.

It is arguable, of course, that more foresight might have been shown in the nine months which have elapsed since the fall of France and the defection of the French destroyers. Anti-submarine work by sea and air was outflanked by German bases in Norway and on the Atlantic coast of France, and the problem of protection became harder at the same time as the means of protection became fewer. Even so, no shipowner could deny that the task of altering the character of construction in the shipyards could not have been done suddenly—or without the risk of appreciably reducing output during the transition. While the rate of weekly sinkings was running at several times the rate of building, the chief consideration was inevitably the maximum unbroken flow of new tonnage.

The crux of the matter is the convoy system. The shipowners want faster ships—which would also be more remunerative in post-war trade. The argument is that there are not enough escort vessels, even with the moderately effective aid of fifty over-age American destroyers, to protect an adequate volume of shipments, and that ships in under-protected convoys are simply crowded targets for U-boats, bombers and raiders. Stripped of all questions of industrial interest, the case has much to commend it. It is a question of making the most effective use of the limited naval protection available—and the limitations imposed by growing commitments in the Mediterranean and the Far East are themselves considerable. The alternative policy of sending single ships at full speed along defined "sea lanes" patrolled by destroyers, corvettes and aircraft has been suggested as the best means of making the fullest use of the available means of protection as well as of the merchantmen's own mobility. It would apply the principle of dispersal to shipping.

But these arguments do not by any means clinch the

matter. The fast ships which went unconvoyed across the North and South Atlantic last autumn did not fare too well. A "sea lane" is a tempting target for the enemy as well as a chain of convoys. A vessel engaged to do 17 or even 20 knots, the speed needed to be sure of safety from submarine attack, has correspondingly less space for cargo. Finally, and in a sense most important of all, no revolution in building policy now will affect the issue much in the next few critical months. Britain's trade and American aid must stand or fall in these months by the convoy system, because by far the greater proportion of tonnage is too slow to play "devil take the hindmost" with any security. It may be reasonable to do as the shipowners wish and lay down faster ships. The solvent of difficulties is a full flow of new and suitable ships. But, before these greyhounds come off the stocks, the impending crisis at sea may well have been settled.

It is not easy, then, to make the case against the Admiralty convincing. There may sometimes have been an undue conservatism; but, for the most part, the Navy's record must be allowed to speak for itself. The shipowners have, of course, every right to be heard. They are expert and experienced in their trade. In the detailed working of ships, their voice should carry most weight; and, under requisitioning, they do in fact manage all ships. Their claim that fast vessels should not be used on trips which slower ships could do quite safely is sound. Their complaints about the needlessly long time taken to assemble convoys and then to disperse the component ships to their destinations merit examination—by the Admiralty. The

validity of their protests against the delays at the ports in handling goods and loading and discharging ships has been conceded by Mr Bevin's statement that he hopes that his scheme for reorganising dock labour will speed-up the turn-round of ships by as much as 40 per cent. Their proposal for a special department to be set up—as was done in the last war—to be responsible for repairs raises an extremely important question, because the rate of damage in this war, owing to the advent of the bomber, is high.

The present position is far from comfortable. Lord Chatfield has recently said that, for a short time at least, losses at sea may be alarming in the near future, and by far the greatest danger to these islands is the threat to shipping. It is excellent that there should be critics ready and able to speak their minds about the delays, at sea, in port and in the repair yards, which make loss of time almost as damaging as loss of actual tonnage. But it is important that their criticisms should be accurately drawn and delivered to the right addresses—not only to the Ministry of Shipping, or even the Admiralty, but to the whole governmental gamut involved, to the Ministries of Transport and Labour, to the Railway Executive Committee, to the Import Executive of Ministers which presumably decides the use of shipping space and to the War Cabinet itself. Simply to replace Mr Cross by some shipowner congenial to the industry would not be any remedy. It might only add fuel to the suspicion—possibly an unworthy one—that, in this discussion, shipping reform means security for the industry almost as much as it means salvation for the State.

Vichy's African Colonies

THE "new order" has functioned long enough for the main outlines to be visible through its smoke-screen of propaganda. Its most marked characteristic is a capacity for stripping any country included within it of all its economic wealth and for persuading the unhappy peoples to accept in return Reichsmark, *Reichskreditkassenscheine* or other equally illusory claims on the German Government's final ability—or willingness—to pay. Since, however, the essential nature of *Wehrwirtschaft* is to transform real wealth into armaments, guns or paper money remain in the last analysis all that Germany has to offer.

Nowhere is the inflationary effect of Germany's policy of spoliation more apparent than in France. The industrial areas and the best agricultural land are in occupied France. A Chinese wall separates the Vichy rump from the rest of the country. A high percentage of all the harvests of 1940 was requisitioned—in the case of sugar beet the percentage was 100 per cent. What is bought is paid for either in Reichsmark or in *Kassenscheinmark* fixed at the entirely arbitrary rate of 20 francs to one mark, both currencies representing claims on German supplies which either do not exist or will never be made available.

All this is familiar enough. It is sometimes forgotten that the economic disasters of France were bound to have important repercussions in the French colonies. Algeria and to a lesser extent Tunis have virtually a Customs Union with France, although Morocco, under the terms of the Act of Algeciras, gives equal economic opportunities to all countries. Further afield, a policy of "assimilation," that is again a virtual Customs Union, was applied in 1928 to a number of French colonies, including Madagascar, while French West Africa, like Morocco, was covered by various international agreements safeguarding the Open Door. Even so, the percentages of France's share in her colonies' foreign trade in a normal year were very high. In 1937, she provided 76.6 per cent. of Algeria's imports and took 81.1 per cent. of the exports. For Tunis the figures were 59.9 and 57.2, for Madagascar 73.5 and 77.6, for

Morocco 31.6 and 46.9, for West Africa 44.2 and 78.8. France's trade with her colonies has been, with few exceptions, the normal exchange of an industrialised metropolitan Power with its semi-developed colonial dependencies. Grain, vegetable products, grasses and a limited range of raw materials—including iron ore and pyrites, lead, zinc and phosphates (of which North Africa produces 50 per cent. of the world supplies)—were exchanged for textiles, machinery, fuel oil, coal, cement, tea, sugar and other commodities. In all these France has been the leading market and source of supply. On the whole, the balance between exports to and imports from France has remained fairly steady when allowance is made for the extent of French investment in the Empire. About five milliard francs were invested in Algeria between 1930 and 1935 alone, and total French investments in Morocco have been put as high as 30 milliards.

This situation of interdependence was radically altered by the French collapse last June. The Armistice created the unoccupied zone, which through its Mediterranean ports—above all, Marseilles—was in independent contact with French Africa. Nevertheless, the whole basis of the interchange of goods was destroyed, for France had nothing more to give. Even the industries in occupied France were working short-time or not at all. Economic life in the regions immediately accessible to the colonies—in Vichy France—was barely functioning at all. Nevertheless, goods continued—and still continue—to arrive at Marseilles from Africa. The colonies cannot break off the trading habits of over a decade, especially when there is no obvious alternative market. Yet there is this great difference. The old balance between imports and exports is lost. For the first time, the goods arriving in Marseilles far exceed the cargoes leaving the port. Moreover, there is strong evidence to show that the Germans take a sizeable percentage of any supplies reaching Marseilles.

In other words, trade between France and her colonies is conforming to the general pattern of German Europe. The French colonies are sending foodstuffs,

wine, meat and fats, vegetable oils, phosphates and other materials to France. Of these supplies the major part finds its way either to the markets or the reserve stores of the Reich. A little is left for France, but in either case the problem of payment is shelved. Germany may have permitted a shipload of goods here and there to return to the colonies, but while the balance is, from the colonial standpoint, what is known in usual terminology as "favourable," it is in fact as "favourable" as, for example, Denmark's balance with Germany, and for the same reasons. In return for the steady draining away of all economic resources, the only payment takes the form of mounting franc balances in Vichy France—and a franc balance, thanks to Germany's inflationary policy, is nothing but a nebulous claim on a still more uncertain future.

As for any attempt to bring up the exchange of goods to its old balance, Germany has not the will nor Vichy the capacity to do more for the African dependencies. Even if goods were there—which they are not—traffic problems would almost certainly baffle any serious attempt to satisfy the colonial markets. Both road and rail transport in unoccupied France are hopelessly disorganised.

It is, therefore, not surprising that the North African colonies are already beginning to show distressing symptoms of the "new order" contagion. There are severe local shortages of fuel. Rationing is under discussion. The oil situation is serious. There is, in short, a repetition in Africa of the conditions of privation and discomfort which are the rule in Europe to-day and which must prevail in any territory harnessed to the hungry and sterile German war machine. That the Germans intend this state of tutelage to be permanent is illustrated by the presence in North Africa of German economic "experts" and technicians and persistent rumours that Germany is preparing to buy out French shareholders in North African concerns, a transaction which, thanks to the gross over-valuation of the mark, would amount to virtual expropriation.

If the North Africans are not aware of the extent to which they are being exploited for Germany, it should be the aim of British propaganda to bring home to them the nature of the "new order." The colonies are not under the same intolerable military necessity as the subjugated nations of Europe. The Mediterranean ensures them freedom of movement, and it is not the case that trade with Vichy France—which is to a very great extent trade with Germany—is the only possibility open to them. Both their real political and their real economic interests lie elsewhere.

Great Britain could put an end to the draining away of French Africa's resources through Marseilles. There is a market in this country for the grain and

vegetables and perhaps the wine of Algeria and Tunis, for the great supplies of phosphates from all three North African territories, for Algeria's esparto grass and for the colonies' iron ore, zinc, lead, mercury, and antimony. Unlike France, Britain would be able and, unlike Germany, willing to restore the old exchange of primary products for manufactures and fuel. Even where textiles and machinery and coal and oil could not be directly supplied, payments made in sterling would open overseas markets to the French colonies. Transport difficulties would remain, but the use of the seaways of the world could be guaranteed to those ships of the French merchant fleet which agreed to the new dispensation, British shipping would be saved if products formerly carried from remoter continents could now be obtained from Africa, and American merchantmen would not be entering the prohibited zone if they came to the colonies' Atlantic ports.

The economic possibilities opened up by collaboration with Britain are not vague hopes and generalisations. In the arrangements made by the British and Free French authorities for Equatorial Africa the French in Africa have a working example before them of what can be done. The franc has been stabilized at 176½ francs to the £ sterling and the British Government has made certain advances to cover the colony's immediate requirements. Before the collapse in France Great Britain had already undertaken to buy up one-third of the cocoa supplies, half the coffee, and a number of other products, including timber. The principle has now been extended. The whole of the 1940-41 crop of cocoa in the Cameroons, of cotton in French Equatorial Africa, and of palm kernels in French Congo will be purchased, and in the meantime existing cotton stocks, hides, skins, beeswax, and glue have been bought up. In return essential supplies, including mineral oils, are coming into the colonies and a more comprehensive trade agreement is under negotiation.

What has been done for the relatively poor and undeveloped Free French territories could be extended to cover the more prosperous colonies with even greater effect. The shortages which have already appeared will not grow less. It is not part of Germany's plan to allow her dependencies to enjoy more than a subsistence level, and so long as the French African colonies continue their one-sided trade through Marseilles, their status as Reich dependencies is determined—a ludicrous situation, for, without suffering the military necessity which compels Europe to submit, they are in the ultimate political servitude and very immediate economic disaster when freedom and stable trade can be had for the asking.

Wives and Children

A PROPOSAL by the Bishop of Winchester for the institution of a national system of family allowances was refused by the Government on Wednesday in the House of Lords, on grounds of public expense. The position of large families in poor households under wartime conditions, however, remains a pressing social problem. One way of ensuring that the curtailment of civilian consumption would be fairly and evenly spread among all persons would be universal conscription for service, at fixed scales of money remuneration, together with the issue at fixed prices of a basic family ration. Actually, it has been decided to retain the apparatus of wages and prices, mainly competitively determined; and there is no guarantee either that the reduction of real income will be even approximately equal, or that actual privation will not be felt by those people whose ability to compete in the market for consumption goods is restricted by some wartime factor which reduces their

earning capacity. There are many such factors—the conscription of wage-earners into the armed forces, the disablement of wage-earners through air-raid injuries, the evacuation of women and children, which may add appreciably to the total cost of living of families, the measures adopted to reduce employment in non-essential industries and the conditions of remuneration provided at Government training centres.

In the round, the problem has not been faced. But it has not been possible to blink privation entirely; and the result has been a series of allowances and rates of compensation to counter family hardships. The principles on which these payments are based is difficult to discover; and the wide variations shown in the tables in this article show sufficiently that there is no common measure of compensation or need. In theory, three possible aims might be sought. In the first place, an attempt might be made to maintain pre-war money incomes by making

up, say, the difference between previous earnings and Army pay, leaving the rise that has taken place in prices as a crude way of curtailing consumption. Secondly, all that might be attempted might be to make subsistence possible; sheer need would be the yardstick. Thirdly, and more drastically, a wide system of graduated allowances might be used to bring about equality of money incomes in spite of differences of money wages—a common family ration of expenditure and consumption.

On the whole, in spite of large discrepancies it appears that the authorities have chosen the second way—the mere prevention of destitution. The administration of allowances to wives, adult dependants, and children is in the hands of many different Government departments. The following are the standard weekly allowances for adult dependants of soldiers (also sailors and airmen), trainees, and unemployed.

	Weekly allowance for adult dependant
Soldier	18/-
Government Training Scheme	15/- (30/- if worker is away from home)
Unemployment Benefit (General Scheme)	10/-
Unemployment Assistance	8/-

The soldier's wife may receive up to 24s. in special circumstances and in addition she is allotted 1s. a day from her husband's pay. Under the Government training schemes the worker receives, if he is away from home, a lodging allowance plus 8s., so that he and his wife actually handle 38s. weekly; if he lives at home he is allowed 26s., and the couple receive 41s. to spend. The allowances for soldiers' wives have often been criticised as inadequate—yet they throw into sharp relief the conditions of unemployed workers (whose personal benefit is 20s. per week). Allowances for the dependants of war-victims vary with the kind of injury sustained.

	Wife's Pension allowance
Non-regular aircraftsman (100% disabled)	33/6 5/-
Air-raid victim (100% disabled)	34/2 8/4
Air-raid victim (receiving hospital or other treatment)	25/6 (married) 11/- (unmarried)

Measured by the difference between the allowance for married and unmarried men injured in air-raids, the wife's allowance in the case of victims receiving hospital or other treatment is 14s. 6d. per week; and the outstanding feature of these two tables is the obviously haphazard and discrepant assessment of a wife's needs.

A comparison of children's allowances shows the same surprising discrepancies. The following table gives the allowances for evacuees and the children of soldiers (in this case, the allowances are the same for sailors and airmen), workers in Government training centres, and the unemployed.

ALLOWANCES FOR CHILDREN

	One Child	1st Child of several	2nd Child	3rd Child	4th (and each additional) Child
To host of unaccompanied evacuee (aged under 10)...	10/6	8/6	8/6	8/6	8/6
" (10 to 14)	10/6	10/6	10/6	10/6	10/6
" (14 to 16)	12/6	12/6	12/6	12/6	12/6
Soldier	7/6	7/6	5/6	4/-	4/-
Government trainee	4/-	4/-	4/-	3/-	3/-
Unemployment Benefit (Insurance)	4/-	4/-	4/-	3/-	3/-

The payment for evacuee children is, of course, higher, because it includes overheads which can be presumed to be already covered in the case of children living at home. Allowances for evacuee children, after the first, run at a flat rate for any number. In the other cases, they fall as the number of children to be kept increases. Even here, Service departments differ from the Ministry of Labour in their estimation of the point at which these "economies of large-scale production" begin to have effect. In the allowances for soldiers' children the rate is cut for the

second child and then again for the third, while for the children of trainees and the unemployed there is no reduction until the third child. The explanation probably is that to the Services sex differences do not exist, while the other Departments recognise the possibility that a family may consist of one boy and one girl. It is not easy to understand why the first child of a worker training for munitions production should have to be kept on 3s. 6d. a week less than the child of a man training to fight. And the same really applies to the children of the unemployed, though no doubt the reason here is the principle of "less eligibility," the idea that unemployment must be made less remunerative than the worst-paid work—and it is probable that the notion that training centres are still primarily places for the unemployed, and therefore also committed to "less eligibility," accounts for the other anomaly. The payments made by the Unemployment Assistance Board are different again; they vary according to the age of the child—from 3s. weekly for a child under five years of age to 6s. for a child from 14-16. Allowances are also paid for the children of men killed or disabled on active service, and for the children of air-raid victims, killed or injured.

	1st child	2nd	3rd	4th (and each subsequent child)
Air-raid victims (receiving hospital or other treatment).....	4/-	4/-	3/-	3/-
Air-raid victims* (100% disabled).....	6/3	5/-	5/-	5/-
Airman's pension (100% disabled).....	5/-	3/4	3/4	Nil
Airman's orphans under 16	5/-	5/-	5/-	5/-

* Where wife is still alive.

It is true that a man receiving treatment for an air-raid injury may be expected to return sooner or later to remunerative work. But it still seems unjust to penalise his children, as compared with those of a completely disabled man, during the period of his enforced absence from any work. Again, it is reasonable that orphans should receive slightly higher allowances than other children, because a new home must be found for them; but it is difficult to understand why they should be cheaper to keep than evacuees.

This is only one corner of the field of war-time compensation. But it is a corner affecting literally millions of families. Even on the bare principle of preventing destitution there is no good reason for these anomalies—set as they are in contrast to a background of increasing prices and steadily rising wages and salaries; nor is it a comfortable study to compare some of these "hardship grants" with the minimum sums judged by experts to be necessary for the maintenance of mere health. Apart from fixed charges and other commitments, no family has any right to more than an equal sufficiency; and no family can fairly be given less. Social justice and economic expediency alike would seem to require a nation-wide family ration of expenditure and consumption which would be small enough to reduce total civilian expenditure to the extent war economy demands and large enough to maintain every family in decent fitness.

COMMERCIAL HISTORY OF 1940

The 78th issue of the annual Commercial History will be published as a Supplement to *The Economist* of March 15th. As usual, the Commercial History will provide a concise summary of the economic landmarks of the past year, both in Great Britain and in the world overseas. In particular the Supplement will deal with the change-over from a peace to a war economy in Great Britain.

NOTES OF THE WEEK

The End of Bulgaria

With the entry of German troops on March 2nd, the immediate fate of Bulgaria is no longer interesting. Her King and Government have decided that unconditional surrender to the German invader is the only means of keeping Bulgaria out of war. Britain has broken off relations, and it remains to be seen whether their calculation is correct. It is in the wider sphere both of the Balkan and European war fronts that the consequences of Bulgaria's surrender become significant. In the Balkans, the position of Greece is obviously jeopardised. The Germans are determined to put an end to the daily scandal of Italy's performance in Albania, and they do not do things by halves. Their troops have already occupied the Greco-Bulgarian frontier. An immediate move on Salonika will perhaps be delayed in the hopes that intimidation and not attack will bring the Greeks to "reason." It is possible, too, that Hitler wishes to make absolutely sure of Yugoslavia before launching an offensive. There should be little difficulty here. It is true that the Yugoslavs have forty well-trained divisions, and that the Serb fighting spirit is not negligible. But Germany's move into Bulgaria has placed the Yugoslavs in an impossible strategic position, and there is evidence that as a result of the recent negotiations conducted by the Yugoslav Prime Minister and Foreign Minister in Germany, German war material has already been reaching Bulgaria across the Yugoslav railway system. There is nothing to suggest that Yugoslav official opinion has stiffened since then—rather the contrary. The question of Turkey remains. A direct attack across the Turkish frontier would bring Turkey into the war at once, and Hitler cannot even hope by confining himself to Greece to avoid unpleasant repercussions in Turkey. The nature of the Aegean battle-front makes direct Turkish intervention strategically inadvisable, but in the recent talks at Ankara, Mr. Eden, Sir John Dill and the Turkish authorities reached "complete agreement," and there are more ways, as Egypt has shown, of helping the Allied cause than by immediate intervention.

In the wider sphere of the war in its European aspect, it is extremely likely that the diversion of Germany's resources to the South-East did not feature in the original strategic plan, and that the necessity of forcing a military occupation upon Roumania and then Bulgaria has been to a high degree unwelcome to the German General Staff. Military occupation has brought a strongly worded though entirely unaggressive protest from Russia, whose good will Germany is still at some pains to secure. It has, moreover, drawn Hitler's Balkan back garden and his chief supplies of oil into the war zone at a time when Britain's air strength is growing daily. The necessities of defence in this new vulnerable zone upon Germany's flank has resulted in the transfer of important air units to the East at a time when the great offensive on Britain is—or should be—about to begin. For this general disruption of the German plan, Britain is indebted in the first place to the gallantry of the Greeks, and it is fitting that in the person of Mr. Eden, Britain should be with its ally at this time of new decisions and new dangers. Greece is determined to continue the fight, whatever the odds. It is therefore clearly Britain's duty to give the Greeks every aid in its power, whatever the difficulties. The opportunities for air attack are improving with the spring, and when the Luftwaffe appears over Greece the R.A.F. will doubtless welcome the opportunity of transferring their attentions from an air force so inefficient that in one day 26 planes can be shot down without loss to a far smaller group of attackers and so cowardly that it can send its bombers to punish a city already stricken by earthquake. The question of aid in a more extended form has, doubtless, been fully discussed in Athens. If it is Greece's overwhelming interest to preserve its integrity and independence, Britain's need is equally great to maintain intact its last fighting base on the Continent. Honour and interest coincide in the defence of Greece.

Filibustering While Rome Burns

The "Lease-and-Lend" Bill is still making its slow way through the Senate. It would be a mistake to say that it is being discussed and debated there. Everything that can be said for it has already been said at least five times, and everything, reasonable or unreasonable, that can be said against it has been said at least fifty times over. The opponents number no more than one-third of the Senate at most, but they are not scrupling to delay—and, if they can, by delaying to emasculate—the declared policy, on a matter of the utmost importance and urgency, of the great majority of their countrymen. It is known that while Senators Nye and Clark, Johnson and Vandenberg talk endlessly the ordering of munitions for Britain in America is at a standstill, but this does not influence them. It is not a pretty sight. Nor is it democracy, for while the principles of democracy permit the minority to state its case they should forbid it from obstructing the majority. But it is an object-lesson to all those who, bemused by the benefits of federation, would import into their constitutions the doctrine of the separation of powers.

* * *

Dock Labour

Further evidence that the reluctance of the Government to adopt drastic labour measures is misplaced may be found in the welcome which the Liverpool dockers are extending to the new dock employment scheme. The country has long been clamouring for steps to be taken to accelerate the turn-round of ships at the docks. At last an experimental scheme is to be inaugurated in the north-western region and possibly extended later to the Clyde, from which Mr. Bevin claims—"confesses" seems a more appropriate word—that a 40 per cent. quicker turn-round should be easily obtained. The scheme, which has been worked out by agreement between the Ministry of Transport, the dock employers and the Transport and General Workers' Union, introduces two epoch-making innovations: the direct employment of dock labour by the Ministry of Transport and the abolition of casual labour at the docks. It is voluntary, but men who are unwilling to work under it must surrender their port registration books. It comes into operation at the beginning of the first pay week after March 10th, and every man who accepts work under it must take any employment offered him in connection with the handling of coal or cargo, clearance of debris, fire prevention, or any other work considered necessary for the clearance of the port area, "without stopping to argue or waste time." He is

Export
and
Import
Banking
on
Sweden



SKANDINAVISKA BANKEN

guaranteed payment for eleven turns weekly of four hours each, and must, if required, work this amount as a minimum with such additional turns, including Saturday afternoons, as the labour superintendent deems necessary and reasonable. There is additional pay for Sunday work. A system of payment by results will secure remuneration for extra effort. This labour force will be distributed to "approved employers" by the labour superintendent on behalf of the regional port director. Master stevedores, master porters and other "approved employers" will be registered and will have to pay the Minister of Transport each week the gross wages earned by each man, plus a percentage to be credited to the management fund. They must also keep the Minister indemnified in respect of accidents and compensation schemes. They may not make charges in excess of those determined by the Regional Port Director. If the scheme proves successful and is extended, it will constitute one of the major steps in the direction of defeating the blockade and thus of winning the war. If it survives the war, it will mark a very important advance in social organisation.

* * *

Short Sight on Clyde

It is now said that the bulk of the Clydeside dockers may have nothing to do with Mr Bevin's plan to speed-up handling at the ports—though the Minister has said that it is to be extended, with modifications, from Merseyside. There may be good reasons which have not been stated. It may be that the resistance has been exaggerated; and the acceptance of the plan by 600 dockers at Greenock may give a lead to Glasgow's 4,000. But, on the surface, it would seem as if the men of Britain's largest unblitzed port were to show themselves equally oblivious to their own and the country's interests. For generations, British dockers have been under-paid and under-employed. Now, when they are offered a minimum weekly wage of £4 2s. 6d. for 44 hours, whether they work or not, with overtime pay, the Clydesiders, it appears, may refuse—simply because the pressure of work, for the moment, is such that there are plenty of jobs and plenty of pay for all. They claim special rights; and they are said to be unwilling to accept the obligation to work when and where they are asked. Their future, and that of their union, when the present system of casual labour takes on the evil shape of redundancy and only sporadic employment again, are left out of account. They apparently wish to benefit to the full from the national emergency that has dammed up the Clyde with ships in order to work as and when they please; and the aspirations of all dock labour ever since the pioneer days of the eighties are apparently to be flouted. On the other hand, they told the King on Wednesday that they were doing all they could to speed the ships. This may be Mr Bevin's first personal test. Labour troubles have mostly been short-lived during the war because workers' demands have been willingly conceded, but this is one case where, if a dispute were to develop, national well-being—which is wrapped up in ships and cargoes—would require a strong hand from Mr Bevin, in one or the other of his guises.

* * *

The East African Front

In a week of continued successes in East Africa, two operations are probably the key to the next phase. In the campaign in Eritrea, the British column advancing on Keren from the north has captured "an important pass covering the approach" to the Italian stronghold. The natural and man-made defences of the town seem so far to have baffled a frontal assault, but a joint action with an offensive developing in the rear promises an end of the deadlock. In the south, while the cleaning-up of Italian Somaliland continues, new ground has been broken by a British advance inland from Mogadishu towards the frontiers of Abyssinia. While Allied and Patriot activity is developing satisfactorily in the Gojjam area, an advance from the south—where the Italians are already demoralised by the swift collapse in Italian Somaliland—would make the position of the Italian defenders in the north more hazardous, and by opening up the easiest and most straightforward approach to Addis Ababa, catch them in the rear as their comrades

have been caught at Keren. In the meantime, the fact that the problems of administering the vast areas which have passed from Italian sovereignty are growing more urgent is recognised in the announcement that those areas now controlled by Great Britain in East Africa are to be placed under the military jurisdiction of Lieutenant-General A. G. Cunningham, the Commander-in-Chief in East Africa. Although General Cunningham will not be faced immediately with a problem on the scale of the Italian settlers in Libya—where the maintenance of Mussolini's agricultural colonies demands a regular outlay on the part of the occupying Power—his difficulties are fundamentally the same: to keep the peace and to render justice in an area where the rival claims of Italian colonists and native tribesmen are completely incompatible. Given the complexity of the situation, it is good news that Sir Philip Mitchell, the former Governor of Uganda and Chairman of the Governors' Conference for East Africa, has been appointed Political Adviser to Sir Archibald Wavell. Sir Philip Mitchell has an unrivalled experience in colonial administration and has a magnificent record of devoted and intelligent service.

* * *

Settlement in Indo-China

Vichy has given way in Indo-China, but only after the Japanese had applied the extreme threat of further war. The Japanese insisted that "with 12,000 Japanese troops in Tonkin, a large air force at Hanoi, and warships off Southern Indo-China," resistance would have been useless, and the French have complied, accepting terms which are manifestly unjust. Some case could be made out by Thailand for possession of part of Laos to which the Thai people have a long-standing historical claim. The session of part of Cambodia has no justification, and France's final readiness to concede it is a measure of the pressure to which Vichy has been submitted. The French, who claim that Thailand was the aggressor are still demanding compensation. Otherwise, the issue appears to be settled, and one more scene in the Japanese "South Seas" drama is completed. Thailand is cast for the part of grateful puppet, and Indo-China for the cowed neighbour. There is little reason to suppose they will not play their parts. Throughout the negotiation Japan has attempted to pin responsibility for Vichy's hesitations upon the warmonger, Britain, and sensational rumours have been circulated from Tokyo concerning an Anglo-Chinese alliance and Chinese aid to the British forces in Burma. These tales are—perhaps unfortunately—only imaginative inventions, but they do betray Japan's preoccupation with the possibility of Sino-Anglo-American co-operation. China remains, as ever, the main obstacle to Japanese successes in other spheres, and it is perhaps with this and Russian support of China in mind that the Japanese and their able collaborators in Berlin are working for a Russo-Japanese understanding. If the Russians thought that a temporary agreement of this sort would entice Japan further south, they might possibly concur. Signs of weakness on our part can only encourage both Japan and Russia, and in this contest Mr. Menzies' speech on Pacific relations was, perhaps, somewhat ill-timed. No one wishes for unnecessary suspicions in the Far East, but Japan's activities are in all conscience suspicious enough.

* * *

Land Use

It is still not clear where the functions of the Ministry of Works and Building will end and those of the wider Ministry-to-be of Reconstruction begin, or what the relation of either will be to the War Damage Commission. In the House of Lords last week Lord Reith shed some light. His task, it seems, is to go beyond bricks and mortar. It will embrace land. The central theme of his statement, in fact, was the "reconstruction of town and country" to co-ordinate industrial, agricultural and transport development; and it is a sign of the times that he was able to take central planning for granted. For over a generation, the advocates of a controlled system of land use which would provide for decent conditions of life, an efficient industry and a healthy agriculture have been swimming against a tide of ugly and wasteful urban and industrial growth.

They were cranks in garden cities. But time was on their side. Neither in beauty and healthfulness nor in convenience or even economy did towns and industries justify their unfettered progress; and on the eve of the war, the Barlow Commission wrote *finis* to wrong thinking. Depressed areas; congested cities; the destruction of rural wealth and country amenities: by then these were plain enough evils for the Commission to call, with some caution, for the community to do something about them. The war itself added pointed riders. People and industries began to move for safety. Transport creaked. Cities were bombed. Ideas, too, unfroze and the gospel of the cranks was seen to be something strangely like common sense. Lord Reith's first job is to furnish the conditions for building up what has been broken down. The mere allocation of labour and materials for building is a duty that will outlast the war. But, even if hopes are likely to run far beyond achievements, the researches of Lord Reith's Ministry into the redevelopment of Coventry, Bristol and Birmingham and into the rôle of compensation and land values in the process of restoration, based as they are on the conviction that the use of land henceforward will be guided by the State for the people, can put a solid bottom into the reconstructed society which Mr. Greenwood and his satellites, in consultation with other Ministers, are sketching out.

* * *

Protecting Members' Seats

As Mr Churchill had said that a division on the House of Commons Disqualification (Temporary Provisions) Bill would be regarded as a question of confidence in the Government, no division was made, and the Bill has now gone to the House of Lords. A great many members of the House of Commons are still uneasy, however, in spite of the decision to appoint a Select Committee to inquire into the whole problem of offices or places of profit under the Crown, both in normal times and during a war. In the two debates, it was generally agreed that the present position is full of anomalies, not the least of which is that the simple test of remuneration does not apply: a Steward of the Chiltern Hundreds, for instance, is unpaid, but the office is the classic cause of disqualification; members "resign" by accepting it. The two main objections to the Bill are that it might disfranchise constituencies and weaken the House of Commons in its essential function of criticism. But the argument of disfranchisement can hardly carry conviction at a time when Parliament has exceeded its normal span of years, when by-elections are suspended, when new Ministers, who had no expectation of, or wish for, a political career, have to be found seats, and when local grievances and desires must give way before the national interest; and the only reason for fearing any weakening in the power of the Commons to criticise the Executive would be if it were seriously thought that the Government might try to pack the House with nominees and placemen. Actually, as Mr Churchill said, "There never has been a Government which had less need to hire or suborn Members of Parliament to vote for them than this present Administration at this actual time." Any appointments made must, to be covered by the Bill, be in the public interest for the prosecution of the war, and a certificate to that effect must be obtained from the First Lord of the Treasury and laid before the House. There will, therefore, be ample opportunity for Parliament to watch for and condemn abuses.

* * *

Placemen?

The White Paper (Cmd. 6255) giving the extra-mural activities of members of both Houses of Parliament certainly lends no support to the view that assisting the Government in Whitehall precludes criticising the Government in Westminster. It includes Mr D. N. Pritt among the 150 names of members helping the Government in a civil capacity, and no one could say that Mr Pritt's membership of the Colonial Penal Advisory Committee has ever tempted him away from the Opposition lobby. The women members, with the exception of those with Ministerial duties, have been mobilised *en masse* to advise the Minister of Supply on salvage, but Miss Rathbone, to take only one example, voted against the Government after the debate on the *Daily Worker*.

Members on the Advisory Council on Aliens include some who have been most critical of the Government's internment policy. The fact is that at no time, but particularly not in war, will an able back-bencher be content with merely sitting and voting in the House of Commons, and his chances of Government office are slight, especially since the modern tendency is to shuffle Ministers about rather than to drop and replace them. If Parliament is to attract the best men and women, they must have the chance to display their talents, and the practice of employing women members on committees where feminine talent can be given scope, medical members on committees advising the Minister of Health, and business men either in advisory or executive posts in the production Ministries, helps to rectify the balance which is otherwise heavily weighted against the employment of brains. Nor can it be seriously contested that constituencies dislike their representatives to indulge in non-Parliamentary activities. From the earliest days of Parliamentary representation, boroughs tended to return as members persons of importance and quality who could be relied upon to stand up for local rights, and electors now must surely see that their interests are best served if their representatives are, in Mr Churchill's words, "active living personalities."

* * *

The Safety of the Union

The South African Government has struck at the Ox-wagon group. No Government servant, including railway workers, will in future be allowed to belong to this two-year-old organisation of racial extremists. This is not a question of democratic freedom. It was only confirmation of a supposed connection between the Ox-wagon group and the kindred racialism of Nazism that a recent raid on their headquarters discovered Nazi uniforms, arms and explosives; and it is obviously impossible in time of war to tolerate a para-military troop in line with the enemy. The claim of Dr Van Rensburg's followers is that the Ossewabrandwag (Ox-wagon sentinel) is purely cultural. Actually, even apart from its hidden military character, the group is in overt opposition to the war. It was the Ox-wagoners' attitude to recruitment which provoked soldiers on leave to the February riots in Johannesburg; and, although the soldiers were very properly punished for taking the law into their own hands, the impossibility of allowing the Ox-wagon group to continue scheming to take it out of the hands of Parliament and the people was made plainer than ever. Power was taken to deal with subversive associations and unauthorised drillings. The majority of General Smuts's numerous opponents, who also oppose the war, refuse to march with the Ox-wagon, and there will be widespread agreement in the Union that no community can foster within it the seeds of its own disruption.

* * *

War Claims Delay

Having passed the War Damage Bill, the House of Commons might well remind itself that the object of insurance is to obtain an indemnity for loss or damage,

INSURE WITH



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

and that a policy of insurance, however carefully drafted and beautifully printed, is of little value unless claims are settled promptly and reasonably. It is necessary to emphasise this elementary point because holders of Commodities Part 2 policies have had anything but a satisfactory experience in the handling of their claims. In a number of cases, months have passed even before an assessor called to look at the damaged goods, and the insured could do nothing but stand by the damage and grumble as he waited for the assessor's visit. Thereafter there is often a considerable delay before any payment is made on the assessor's report, and more months go by with the insured out of his money and often seriously embarrassed. What is happening at the Government end all this time nobody knows. The claims are like a river which disappears underground, but will probably come to the surface again in God's good time. There are not enough firms of assessors being employed, and there is no reason why the numbers should not be increased by surveyors not usually engaged on fire claims. There may be a hold up at the Board of Trade after the assessor has reported. There is believed to be a considerable hold up after that at the Treasury. Nor is this a special instance. Claims for ships and cargoes totally lost six months ago are only now being settled. No insurance company could keep going for five years if it treated its fire claims as the Government has been treating these claims for air-raid damage.

Muzzles for the Muses

The British Broadcasting Corporation is noted for the benevolent despotism and self-conscious respectability which are characteristic of an institution which, from small beginnings, has got on in the world. Nevertheless, it comes as a shock to learn that the strict supervision which has hitherto been mainly confined to the manners and morals of the Corporation's own staff has now been extended to the "politics" of its hired performers. The programme of the recent so-called Peace Convention was drawn in sufficiently general terms to attract the signatures of a remarkably diverse collection of possibly generous minded but certainly most indiscriminating people, including a batch of actors, band leaders, musicians, producers and authors who are well known on the stage and over the wireless. The ukase has gone forth. They are not to broadcast again. It will be admitted that the suppression of anti-war activities is necessary in wartime, and it would at once be conceded that the B.B.C., holding as it does a monopoly of the air, would have the right, even the duty, of refusing to permit the broadcasting of anti-war speeches or propaganda. But these are not speakers. Nor, so far as can be ascertained, are they propagandists or active politicians in any way. Over the air, they are performers pure and simple—some of them artists of distinction—and the fact that they may be sadly woolly-minded in their off time hardly seems the concern of the B.B.C. It may well be, of course, that the B.B.C. has not been a free agent in this matter. But, even if official wires have been pulled, the necessity of suppressing speech and opinion in wartime is too unfortunate for petty oppressions to be indulged in when they are neither necessary nor reasonable; and all the B.B.C. has done in this campaign, which began with a stupid ban on the famous if pacific conductor of the Glasgow Orpheus Choir, is to bring the Corporation into line with the self-important private firms and local authorities who have taken upon themselves the privilege of exercising a tyrannical intolerance which the Government itself, on behalf of the community, has expressly repudiated.

The Price War

It has always been the aim of trade associations to make price-cutting a crime. Trade journals and association officials are now pointing out that the war has almost done this by limiting supplies and imposing quotas. The results of the harsher side of war have been twofold. Bombing has driven small price-cutters out of business because of loss of business or stocks. But it has made traffic in stolen goods much easier, so that the one corner in which price-cutting can still flourish is criminal in law as well as in the eyes of "respectable" traders. The *Chemist and Druggist* calls

for constant vigilance, nevertheless, on the part of the Proprietary Articles Trade Association in maintaining prices and margins; and the community will expect equal vigilance by its representatives to see that consumers do not suffer from this commercial clean-up.

Loyalties Again

A Note in *The Economist* last week pointed to the practical problems arising from the fact that the Home Guard is enrolled on a voluntary basis and not enlisted under orders. The same difficulties arise in the case of the Women's Services. The ATS, WRNS, and WAAF are full-time bodies, but, like the Home Guard, the only contractual obligation of their members is to give notice before they leave. They can drift away after expensive training. They cannot be disciplined against their will because they can always resign. In general, there has been surprisingly little wastage; but their position, as auxiliaries to the fighting men, is unsatisfactory and anomalous. It is now being openly discussed by ATS high command whether they should not be enlisted and be placed under military law. Certain medical benefits, open now to serving men, would then accrue to the women; and it would be no more unfair to make the change now than it was to embody the men's territorial and auxiliary services when the war started.

The Statistical Black-Out

The Parliamentary Secretary to the Board of Trade announced in the House of Commons at the end of last week that no further statistics of the overseas trade of the United Kingdom would be published for the duration of the war. The reason given is that even in the attenuated form in which the figures have been issued for the past eighteen months they provide information of value to the enemy. The truth of this must necessarily be accepted. But has the value of the information to the British public also been assessed and a balance struck—or has it been lightly assumed that the only argument for publication is a long-standing tradition of no present value? The services rendered to the common cause by informed public opinion in the economic sphere have been too great and too frequent to require any fresh emphasis. It may well be that more good than harm would be done, on balance, by risking a little benefit to the enemy if thereby the pressure of constructive criticism on the domestic war effort can be maintained. The overseas trade figures have possibly not been the most informative of the scanty series of figures remaining since the outbreak of the war. But the argument that has been used to suppress them could equally be applied to almost every remaining fact and figure. There are already signs of irritation in the Treasury with public discussion of the Budgetary position. Are the Exchequer returns to be the next victim?

Shorter Notes

The capture of Kufra by the Free French was a notable achievement. The attacking forces were few in number and had to face the hardships of a 500-mile desert march on scanty rations. Nevertheless, the few officers with their 100 Senegalese have captured both the fort and about 1,000 prisoners.

Except in special circumstances, 75 per cent. of the advances made by the Government to local authorities, whose income is insufficient, by reason of the war, for their purposes, will be considered as a grant and will not be repayable. The total sum advanced amounts to £362,000. Applications are also under consideration from the 28 Metropolitan boroughs and 5 other authorities. Joint representations have also been received from 9 county boroughs which have suffered severely from air raids.

It has been decided to extend summer time by one hour for three and a half months, from May 3rd to August 9th. This will mean that on the longest day the black-out period in London will not start till 10.57 p.m. and will end at 5.12 the next morning.

THE WORLD OVERSEAS

Unrest in the Netherlands

(By a Dutch Correspondent)

March 3rd

THE decline in the Dutch standard of living continues. Many sources of income have dried up; for instance, the total amount of dividend in various forms, which was put at Fl. 122 millions (about £30 millions) in 1939, was estimated to have fallen to one-third in 1940; and the yield of the most important fishing market, Ymuiden, which was Fl. 6,600,000 in 1939, has amounted to barely Fl. 1,000,000 since the invasion. But the fall in the standard of living finds its sharpest expression in the growing shortage of all kinds of commodities of general use. The consumption of bread has fallen by 15 per cent. and of coffee and tea by no less than 60 per cent. The amount of notes in circulation is still rising, so that there are more and more potential buyers of less and less commodities. Despite an extremely elaborate system of rationing—the bread card alone is almost a yard long—black markets are expanding to such an extent that the Dutch Commissioner for Prices and Wages has had to create five special inspectorates to trace offences. To offset inflation the Germans are trying to "sterilise" the floating purchasing power. The old income tax has been replaced by a new wage tax under which the total amount raised is considerably increased. For instance, unmarried people with a yearly income of £200, who used to pay £10 income tax, have now to pay £15 wage tax. The same figures for married couples with two children are, however, £6 and £3. Unmarried men earning £650 a year, who formerly paid £65 income tax, now pay £150 wage tax. The same figures for married men with two children are £60 and £68. The raising of higher taxes is one means of offsetting inflation. Another is the issue of semi-forced loans. In January a ten-year loan of Fl. 500 millions was issued bearing 4 per cent. interest. If it had not been fully subscribed, a forced 2½ per cent. loan would have been issued.

Traffic conditions have improved but are by no means satisfactory. During the invasion of Holland 1,400 barges were sunk. Some 600 have been repaired, but the severe winter has reduced canal traffic to a minimum, at a moment when traffic by rail is more and more curtailed. The use of petrol for private purposes is strictly forbidden. No further permits are issued for the installation of wood-gas generators in motor cars, as wood and timber are very scarce.

If the situation in the big towns is difficult, the farmers are hardly in a better position. The drastic reduction of the number of poultry from 22 million to 7 million was a severe blow for the small farmer. All farmers alike are heavily hit by the requisitioning of about 25,000 horses. The prices of horticultural products have risen and exports to Germany are on the increase, but the position of the producers has deteriorated, as all State subsidies have been stopped. It is important to note in this respect that the guilders has undergone a further devaluation in recent months, as the Germans have decided to raise Dutch prices to the same level as the German.

Financial and material difficulties hamper the reconstruction of the devastated parts of the country. The plans for the reconstruction of Rotterdam, where more than 70,000 people lost their homes, are not yet complete. The compensation scheme for those who have lost everything they possessed has given rise to grave complaints and much discontent. Only the value for sale on May 9th—the day before the invasion—is compensated. This, to cite only one example, amounts to 27 per cent. of the costs of actual reconstruction in the case of Middelburg, where the Germans destroyed the lovely centre of the city by ruthless air bombardment.

If they had not the hope of a German defeat, the outlook for the Jews would indeed be gloomy. As it is, their

troubles are increasing. Seyss Inquart decided in October that the appointment of Jews to new posts in the civil service was forbidden. In November, all Jews were dismissed from the civil service—it was against this measure that the students of Leyden and Delft went on strike which resulted in the closing of both universities. In December it was forbidden for all persons of German "blood" to render personal services in households of Jews or where Jews were resident. On January 14th a special registration of all Jews was announced, and it is clear that, given sufficient time, the Germans will enforce the ruthless Nuremberg laws upon the Dutch Jews.

The decline of the standard of living and, especially, the growing cultural oppression have only led to an intensification of the hatred against the Germans and the Dutch Nazis, their willing tools. The *Nationaal-Socialistische Beweging* of Ir. Mussert still gets the full support of the Germans in its attempts to beat the stubborn Dutch into submission. The number of N.S.B. organisations is increasing, and they are always exact counterparts of the German ones. Its Agricultural Front is intended as the nucleus of a Dutch *Reichsnährstand*. Furthermore, a Students' Front has been set up. On many recent occasions, Mussert has declared that he would attain power in 1941. It is possible that the Germans will give him the same position as Major Quisling occupies in Norway, but, if so, the Dutch "Führer" will be in the same precarious position as his Norwegian colleague.

Troublesome Subjects

The members of most of the former political parties maintain a completely passive attitude. But even those who think that the occupation does not necessarily entail complete passivity are wholeheartedly anti-N.S.B. This applies in the first place to the Netherlands Union, *de Nederlandsche Unie*, led by the triumvirate—Lint-horst Homan, De Quay and Einthoven. Some months ago, its totalitarian programme was criticised unfavourably in this Correspondence, and it is only fair now to state that the Netherlands Union has developed into a centre of resistance against the Germans and the N.S.B. It has already more than 700,000 members, but its activities are severely curtailed by the Germans. It has not been permitted to form a Youth Organisation of its

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

OVER 500 BRANCHES IN
THE UNION OF SOUTH AFRICA
KENYA - TANGANYIKA - UGANDA - NYASALAND
NORTHERN & SOUTHERN RHODESIA - EGYPT
SUDAN - PALESTINE - PORTUGUESE EAST AFRICA
SOUTH-WEST AFRICA - BRITISH WEST AFRICA
BRITISH WEST INDIES - BRITISH GUIANA
GIBRALTAR - MALTA - CYPRUS - MAURITIUS
LONDON - LIVERPOOL - MANCHESTER
AGENCY: NEW YORK

HEAD OFFICE:
54 LOMBARD ST., LONDON, E.C.3

BARCLAYS BANK (CANADA)
MONTREAL & TORONTO

own or a Defence Organisation, nor may it organise big meetings, and it is in order to avoid the dissolution of the movement that the triumvirate has been forced to make many verbal and other declarations of loyalty to the German occupier.

In fact, the Dutch are proving more and more troublesome to the Germans. This applies to the 90,000 or more Dutch unemployed who are forced to work in Germany, 5,300 of whom had returned upon their own initiative by December 1st. It applies no less to the people as a whole. More and more people are convicted on the charge of distributing seditious pamphlets, of listening to foreign broadcasts or of "offending" the German people and its "Führer." In December the first two death sentences were announced on a charge of sabotage. When in January three motor cars of the German *Wehrmacht* were "damaged" at The Hague, a fine of £1,000 was imposed upon a few people who were supposed "to have viewed the action with satisfaction." Last week, serious strikes and disturbances occurred in North Holland. Martial law was declared, and the Germans have imposed heavy fines on the cities of Amsterdam, Hilversum and Zaandam.

But the most irritating thing to the German mind must be the stubborn confidence of the Dutch in an early Allied victory. In an extensive report from Holland in the *Essener National Zeitung* (January 6th) the Dutchman was introduced as *Mijnheer Kannietverstaan*, "Mr Cannotunderstand," who still foolishly believes in a British victory. In a speech at Amsterdam on January 18th, Röver, *Gauleiter* of Weser-Ems, warned the Dutch, saying: "Those who still believe in an English victory are completely crazy." On the same day the *Deutsche Zeitung in den Niederlanden* wrote: "We cannot understand what the Dutch are still waiting for. Germany's victory is a question of fact for anyone who has an open eye for realities."

These German utterances indicate the true sentiments of the overwhelming majority of the Dutch people. Indeed, this majority is perhaps apt to a certain over-optimism. It is reliably reported from Holland that people are sure of a complete German defeat in the coming summer. *Radio Orange*, the Dutch Government broadcast, has warned the Dutch that this over-optimism has perhaps been aroused by the Germans themselves, who are hoping to exploit the disappointment when the deliverance of Europe from the Nazi scourge takes rather longer. It is, indeed, one of the greatest difficulties of propaganda to the enslaved countries to ensure as far as possible that the whole people rises in revolt, not at the first, but at the best, opportunity.

Currency War in China

[FROM OUR SHANGHAI CORRESPONDENT]

January 20th

A NEW phase in paper money circulation by puppet regimes in China opened in January, 1941, with the inauguration at Nanking of Wang Ching-wei's Central Reserve Bank, which immediately started another currency war at Shanghai. The new bank embarked upon the issue of Wang dollar notes, printed in Japan, and declared legal tender for the Japanese-occupied areas of Kiangsu, Chekiang and Anhwei Provinces in Central China. The first week's issue of the new notes aggregated W\$6,400,000, and compared but poorly with the Ch\$2,000 millions of genuine Chinese currency circulating in Central China, but it was higher than the maximum issue reached within the twenty months of its existence by Shanghai's Japanese sponsored Hua Hsing dollar notes. In the hinterland of Shanghai, Wang Ching-wei officials and soldiers force the new money, in which they are being paid, upon the population, and Wang dollars are quick to trickle into the Western-administered areas of Shanghai, where the Central Reserve Bank opened a branch office on January 20th. Here at Shanghai Wang money may be used as legal tender in the French Concession Courts taken over by Nanking, and in payment of Customs duties as well as of all taxes, fees and dues exacted by the Nanking regime.

Wang's Central Reserve Bank claims a W\$100 millions paid-up capital, whereof 40 per cent. is in gold and foreign exchange, but in the absence of clear accounting and trustworthy auditing this is not believed in Shanghai banking circles. The Nanking Government decreed that Wang money should rate at par with genuine Chinese

national currency; though the former is not freely convertible at the latter's exchange rate and the Chungking Government has ostracised Wang dollars. The British, American and Chinese banks refuse acceptance of, and the opening of accounts in, Wang dollars, while Chinese exchange firms trade them at a 15 per cent. discount against national currency. Yet Nanking brings strong pressure to bear upon Shanghai Chinese business, and the probabilities are that in the long run the new puppet money will force its way into Shanghai in much the same way as the Peiping F.R.B. puppet currency was forced upon Tientsin. The Chinese National Government has ceased all support of the Shanghai exchange market, and threatens with one or all of three counter-measures—a lowering of Shanghai exchange rates, inconvertibility of Chinese national currency and the issue of new convertible gold notes, and finally the freezing—in co-operation with Washington and London—of all Shanghai balances in Anglo-Saxon banks, with outgoings in foreign exchange to be subjected to a strict permit system.

Counter Attack

Chungking has, in fact, decided to prevent Wang Ching-wei, if not from acquiring with his new money substantial amounts of Chinese national currency, at least from selling the latter against foreign exchange derived from Chungking's reserves. Undoubtedly, the accumulation of foreign exchange at the Chinese national dollar's expense is one of the two chief aims of the Wang paper money issue. The other is the acquisition of easy revenue. Japanese military and business circles for a long time opposed Wang's monetary venture, but Tokyo gave its consent as one of the prices of Wang's signature beneath the treaties between Japan and Nanking of November 30, 1940. However, Wang's note issue has been temporarily limited by Japanese military authorities to a total of W\$300 millions, and is allowed to circulate only in the three Lower Yangtze Valley Provinces. The Japanese military refuse access to Wang dollars in Hankow and all Hupeh, and also maintain throughout the Yangtze Valley the circulation of almost MY500 millions of their military yen, now rating at Ch\$1.60 and constituting another serious obstacle to Wang Ching-wei's currency enterprise.

Influent Japanese military quarters continue to consider Wang's Nanking regime and its note issue as one of Tokyo's unlucky experiments, doomed to failure, and, therefore, are opposed to allowing him a free hand. Wang, on the other hand, attempts to overwhelm Shanghai and thus to qualify for more Japanese support, and for a revocation of the restrictions now imposed on his regime and his bank. In case Chungking should take one of the counter-measures under consideration, Wang threatens with an enforcement of complete foreign trade and exchange control at Shanghai after the North China pattern, a measure anticipated and authorised in the Nanking treaties of November 30th.

Anti-Inflation Policy in Jugoslavia

[BY A CORRESPONDENT]

February 24th

THE Jugoslav National Bank appears to be taking stronger measures for the defence of the dinar. Dr Radosavljevic, who has been appointed Governor of the Bank, was Governor from 1935 to 1939 and only agreed to come back now on condition that a stronger currency policy should be adopted.

Dr Radosavljevic is especially opposed to the heavy and increasing State demands on the National Bank. Before agreeing to accept the governorship again, he had some discussions with the Finance Minister with the object of obtaining guarantees in this respect. A special committee was constituted to deal with this matter. At the same time, the rise in prices is to be checked by a more stringent credit policy. The price control board was recently attached to the newly-created Ministry of Supply, and its chairman, Professor Javanovic, was appointed a member of the board of the National Bank.

It is not yet clear how the Finance Minister will obtain the greatly increased sums required for the army and for munitions, nor whether internal loans can make up for the reduction in the help to be had from the National Bank.

German Europe

Shorter Notices

"Economic Fragments." Essays in Monetary Theory. By D. H. Robertson, P. S. King (London). 234 pages. 11s. 6d. net.

Hermann Goering Reorganisation. — In 1937 the Hermann Goering Works were founded with the relatively small capital of Rm.5 millions. They were intended for the exploitation of low-grade German iron ore after the private industry had refused to bear the risks of high cost production. In 1938 the capital was increased to Rm.400 millions, and an astounding process of expansion into the biggest vertical concern in Germany began. The Austrian Alpine Montan, the Reichswerke Linz, the armament works, Rheinmetall, coal and iron ore mines, building and shipping companies in Czechoslovakia and in Poland were added, when the blast furnaces in Salzgitter began operation in 1939 and 1940. At the end of 1940, the concern had developed into an unwieldy agglomeration of different industries in different countries. The whole complex mass of subsidiaries and requisitioned plants, factories and transport companies has now been reorganised. There is first the holding company, named *Reichswerke H. Goering*, presided over by Goering and managed by Secretary of State Körner. The producing, manufacturing and other companies have been grouped as follows: coal, ore mines and iron and steel works form one group under the name of *Reichswerke für Berg und Hüttenbetriebe*; armaments and machine works; and all the shipping companies chiefly engaged in the Danube shipping. These three groups form the largest German armament concern, employing some 600,000 workers in Germany. Shortly after the reorganisation the Alpine Montan, which formerly belonged to the *Vereinigte Stahlwerke*, the biggest private coal and steel producer in Germany, increased its capital from Rm.40 millions to Rm.180 millions.

Foreign Workers in Agriculture. — At the beginning of the war, the shortage of workers in Germany's agriculture was officially estimated at 700,000. In the middle of January, 1941, the *Reichsarbeitsblatt*, the German Labour Gazette, stated that since the beginning of the war, 1,390,000 foreign workers had been employed in Germany's agriculture. Of these 828,700 are Polish and French prisoners of war, and the rest comprises 469,000 Polish civilians, 47,000 Italians, 32,000 Slovaks and small numbers of Hungarians, Yugoslavs, Dutchmen, and Flemish workers from France and Belgium. Employing prisoners of war is naturally a temporary measure, and is coupled with an intensive training scheme for skilled agricultural workers, especially for the dairy industry. A special scheme has been developed which will ensure that all agricultural workers now serving in the Army will return to their occupation.

Oilseeds in Denmark. — Normally, Denmark consumed roughly 90,000 tons of vegetable oils annually, all imported from overseas. Denmark had a large oil crushing industry with an output of vegetable oils exceeding her consumption. A plan has now been made for cultivating oilseeds on a large scale sufficient to cover Danish home demand. It is planned to cultivate 300,000 hectares with demand. It is planned to cultivate 300,000 hectares with demand. It is planned to cultivate 300,000 hectares with demand. It is planned to cultivate 300,000 hectares with demand.

Coal, Iron and Steel in Belgium. — In October, 1940, the Belgian coal mines reported an output of 2,540,000 tons against 2,230,000 tons in September. In April, 1940, output reached the record figure of 2,990,000 tons. Output per man-shift has hardly changed from September to October. It amounted to 736 kilogrammes, which is considerably lower than in 1939. The number of workers in October, 1940, was 126,521. Pig iron and steel output is still far from normal. Output of pig iron in October, 1940, amounted to 116,300 tons against 255,900 tons in October, 1939. During the first 10 months output of pig iron amounted to 1.5 million tons against 2.5 million in the corresponding period of 1939. The output of steel ingots for the same periods was 1.55 million tons and 2.43 million tons respectively.

Books Received

Trade Unions Fight—For What? By H. Tracey. (London) Routledge. 222 pages. 5s. net.
Flight to Victory. By R. Walker. (Harmondsworth) Penguin Special. 126 pages. 6d. net.
True and False Democracy. By N. Murray Bulter. (New York) Charles Scribner's Sons. 111 pages. No price stated.

THE ROUND TABLE

A Quarterly Review of the Politics of the British Commonwealth

SIXTH WAR NUMBER

LEADING CONTENTS FOR MARCH:

LORD LOTHIAN
THE TWO ORDERS
THE STRATEGY OF THE WAR—VI.
WAR ECONOMY AND FINANCE
RECONSTRUCTION: I.—BUILDING
NORTHERN IRELAND AND THE WAR
THE AMERICAN ARSENAL

Also Articles from Correspondents in Great Britain, India, Ireland, Australia, South Africa and New Zealand.

Price 5/- per copy or 20/- per annum. Post free

ROUND TABLE WAR PAMPHLETS:

No. 2. THE ISSUE. No. 6. CHRISTIANITY, DEMOCRACY
No. 5. THE PROBLEM OF FOOD AND OUR CHILDREN.
SHORTAGE IN EUROPE. No. 7. THE HOME GUARD.
Price 2d. each

To be obtained from all Booksellers, Newsagents, and
MACMILLAN & CO., LTD., LONDON, W.C.2

THE BUSINESS WORLD

The Stock Exchange in War

IN time of peace, the Stock Exchange performs three or four main functions. It furnishes an apparatus by which savings can be invested in a form attractive to the saver and can be "dissaved" if he desires. It canalises the flow of capital into industry or national or local Government service. This it does directly through the "new issue market" and indirectly through the mechanism it provides for speculation, which is especially valuable in enabling new discoveries and inventions to be commercially developed. And it plays an important part in foreign exchange and the settlement of international indebtedness.

In war-time, the activities of the Stock Exchange in all these departments have been seriously cribbed, cabined and confined. So far as the last-mentioned is concerned, they have, indeed, virtually ceased. Thanks to foreign exchange control, to "trading with the enemy" ordinances, to censorship and postal delays and to shipping risks, London has for the time being practically ceased to be an international market in securities. As for the settlement of Britain's debts to other countries, while for a time the services of the Stock Exchange were available for the sale abroad of American dollar and other overseas securities, on condition that the foreign currency proceeds were placed at the disposal of the British Government, this type of business has now practically come to an end.

The Government, by requisitioning from their owners British holdings of many hundreds of different American and Canadian bonds and shares and itself undertaking their sale, has by-passed the Stock Exchange, though this institution has of course enjoyed the not inconsiderable solatium of being entrusted by the ex-owners of these holdings with the reinvestment of the bulk of the proceeds of the sales. As our great national holdings of dollar securities have now been very largely liquidated, it must be long after the conclusion of peace before any considerable London market in them can be restored.

The other main functions of the Stock Exchange—those concerned with the collection and investment of savings—have of course suffered less catastrophic disturbance from the war. But, even here, the disturbance is far from negligible. Save for Government loans the new issue market has virtually ceased to function. Except with Treasury consent, which is rarely given, new capital issues are forbidden. Even the industrial capital required for essential war purposes is commonly provided through other channels than the Stock Exchange. Moreover, the Government's policy of limiting industrial profits and of generally weighting the scales against investment in ordinary shares has hit the Stock Exchange in its most sensitive spot. With Excess Profits Tax at 100 per cent, industrial ordinaries are reduced, at the best, to the status of non-cumulative fixed interest securities. Shorn of their equity rights and consequently of their speculative attractions, it is small wonder that both the investors' interest and the Stock Exchange turnover in ordinary shares have dwindled to small proportions.

It might be thought that the Stock Exchange would have found compensation in an increased turnover in the gilt-edged market, due to the ever-increasing flow of savings into Government loans raised for the financing of the war. This, however, is not the case. The Stock

Exchange has played its part in stimulating the flow of private savings into successive war loans, but the service of acting as intermediary in the subscription of such loans involves no great volume of work and it must be admitted that the present policy of issuing war loans by the "on tap" method provides less revenue for the Stock Exchange than the old fixed-amount fixed-subscription-period method.

Add to these general considerations militating against an active Stock Exchange, the special deterrents to business which in recent months have resulted from military events in and around these islands—particularly the intensive bombing of our big towns, the serious dislocation of telephone and transport services and their psychological repercussions—and we have a sufficient explanation of the present state of the Stock Exchange, which is that of an institution working at well under 50 per cent. of capacity, with most of its constituent firms either running at a loss or precariously making ends meet.

But enough of this dismal tale. What of the future? Is that any brighter? It is not easy to believe that for the duration of the war it is very bright. Stock Exchange activity is notoriously subject to violent and sudden fluctuations and there should be ups as well as downs in the future. A substantial recovery of turnover might well follow the modification of the 100 per cent. Excess Profits Tax, which many people expect to find a place in the coming Budget. Any step which in a measure restored the traditional attractions of the ordinary share—its equity and its inflation-dodging quality—would obviously stimulate public interest in such shares, even though (as would almost certainly be the case) the relief took a form which precluded any increase in dividend rates during the war.

On the other hand, it seems more than probable that the developments of war finance may in the near future impose fresh restrictions upon Stock Exchange activity. The adoption of anything in the nature of a compulsory savings plan would be almost bound to do so. Savings now invested through the Stock Exchange would automatically pass directly into, and be immobilised in, the Government securities established for the purpose. If, as some experts think, attempts were made on a large scale to evade the incidence of the compulsory saving plan by the selling of existing security holdings, it might even become necessary to introduce a system of permits without which sales of securities on the Stock Exchange would be forbidden. That would add yet further to the spate of forms and formalities, the only major activity the Exchange has enjoyed during the war, and it would threaten to sweep away what remains of profit in the business. It is impossible to foresee to what lengths of financial control we may be driven before the war is over.

Some people might argue that the maintenance of a Stock Exchange at all will be found to be a dispensable luxury. That, however, seems rather an extreme view. Even under war conditions, there are many cases in which serious inconvenience and even hardship would arise were individuals denied all possibility of realising investments. In not a few instances punctual payment of taxes would become impossible, whilst, of course, the closing of the Stock Exchange would necessarily preclude the receipt by the Exchequer in cash form of a large proportion of the £80,000,000 annual revenue from

Death Duties. Traditionally, too, the existence of a freely functioning Stock Exchange is an element in the maintenance of public morale. No excessive weight, no doubt, should be assigned to that argument, but it is nevertheless significant that even the totalitarian powers find it desirable to keep their Bourses working and to encourage the reopening under suitable control of the Bourses in occupied territories.

Let us, at any rate, close on a more hopeful note. The Stock Exchange authorities have found it possible even amid the distractions of war to formulate measures of reform which will go a good long way towards remedying the worst abuses with which the pre-war Stock Exchange could be charged. The cutting of the commission rebates to agents is justified by the war-time increase in costs and makes the scheme palatable to members. But it is not the fundamental feature of the scheme. That consists in the unification of Stock Exchange practice throughout the country, and in particular in the regulations and control of the whole agency system, with a view to eliminating altogether that irresponsible and undesirable element which is so largely to blame for the orgies of uncontrolled speculation, which have been a recurring feature of stock market experience.

With the bringing under control of the Stock Exchange "agent" the way is paved for a tightening up of the qualifications for membership of the Exchanges themselves. The Throgmorton Street authorities have been at pains to emphasise that the new reforms "have

nothing to do with the war," since the discussions which have culminated in them were initiated long before the war. Yet in effect the Stock Exchange is making a commendably early start with its post-war reconstruction.

We do not know what place will be assigned in the post-war economy to the security markets. Their precise scope will depend on many factors, including of course respective weights given to collectivism and private enterprise. Presumably there will for many years be greater economic control from the centre than there was before the war and a greater field of nationally operated enterprise. Presumably there will be a further concentration of industry into large units. If so, there will be less room for speculation on the Stock Exchange than hitherto. That would accord with the current trend of public opinion, which rightly condemns the excesses too frequently witnessed in the past, though one ventures the hope that the object will be rather to curb than to kill speculation, lest the gambler instinct be driven into underground and insanitary channels.

It looks, therefore, as though the post-war Stock Exchange would be an institution in which purely speculative dealings will play a smaller and investment a larger part than heretofore. In view of the predominance of speculative dealings in the past, that probably means a reduced total turnover. It means, too, or should mean, corresponding changes within the organisation, fewer Stock Exchange members and still fewer but larger firms, and a higher standard of professional competence—less quantity and better quality in fact.

Finance and Banking

Back to Abundance

Conditions in the money market have, during the past week, reverted to their former abundance. Although the banks were called upon to pay £20,000,000 in Treasury deposits after an interval of six weeks, these new payments only equalled the amount maturing during the week and, on this score, the bank cash position has been left unaffected. There appears to have been a temporary lull in the transfer of tax moneys, and Government deposits at the Bank of England are down by £2,898,000 over the week to last Wednesday and have fallen to the exceptionally low total of £11,737,000. The shift of funds to bankers' deposits has been further swollen by an increase of £4,114,000 in the total of "other securities." The rise in bankers' deposits for the past week amounts to £3,659,000, carrying their total to the comfortable figure of £125,381,000. The rise in this item would have been greater but for a somewhat unexpected increase of £4,030,000 in the active note circulation. The previous return had shown an increase which was held to represent the greater part of the end-of-month expansion in the circulation. This latest expansion suggests that the secular trend in the note circulation has recently taken a sharp upward turn.

* * *

The Dollar Cost of War

After the confusing array of estimates of British losses of gold and dollar investments since the beginning of the war to which we have recently been served from America, it is refreshing to receive the official data recently presented by Mr Morgenthau to the House of Representatives Foreign Affairs Committee. The following table shows the reduction in the gold and dollar exchange assets of the United Kingdom over the first sixteen months of war. The figures given are those of the British Treasury except for the estimate of private dollar balances which is taken from U.S. Treasury sources:—

	In million dollars	
	Aug. 31, 1939	Dec. 31, 1940
Gold	2,038	292
Official dollar balances	50	54
Private dollar balances	545	305
Marketable U.S. securities	950	616
Direct and miscellaneous investments in U.S.	900	900
Total gold and dollar exchange assets	4,483	2,167

How this net loss of \$2,316 millions has occurred is shown in great detail in a table compiled by the U.S.

Treasury, the Department of Commerce and the Federal Reserve Board on the basis of figures supplied by the British Treasury. This table, given in somewhat abbreviated form, is as follows:—

	In million U.S. dollars
GOLD AND DOLLAR EXPENDITURE	
Payments to U.S. by U.K. on Government account	1,380
For private merchandise imports, shipping, etc.	902
Payments to U.S. by Empire countries other than U.K. and Canada	483
Payments by Empire excluding Canada to countries other than U.S. but requiring dollars or gold	775
Withdrawal of capital	735
Miscellaneous	71
Total gold and dollar requirements	4,346
GOLD AND DOLLAR RECEIPTS	
Receipts from U.S. by U.K. for merchandise, freights, etc.	345
Receipts from U.S. by Empire countries excluding U.K. and Canada	670
Dollar receipts from Empire countries excluding Canada from areas outside U.S.	50
Receipts from sale of Empire gold (new production and disharding)	965
Total gold and dollar receipts by Empire countries excluding Canada	2,030
Total drain of gold and dollar resources of British Empire excluding Canada	2,316

To complete the picture, the following details should be given of the gold and dollar transactions over the same sixteen months period between Canada and Newfoundland on the one hand and the rest of the Empire on the other:—

	In million U.S. dollars
Payments to Canada by other Empire countries	930
Receipts from Canada on merchandise and invisible account	375
British Empire deficit with Canada	555
Canadian repatriation of British held securities	330
Gold payments by British Empire countries to Canada	225

These tables show what a painful reality lies in the fact that Canada is in the dollar and not in the sterling area. Our losses of gold and securities to Canada during these sixteen months were nearly one-quarter of our corresponding losses to the United States. The figures relating to our accounts with the United States are conservatively drawn, since the Governmental payments include an

item of \$570 millions in respect of goods not yet delivered. Another item of \$150 millions is in respect of capital assistance to American firms, and should not, therefore, be classed with payments for merchandise imports. The "capital" item in the outgoings includes a sum of \$300 millions withdrawn by Americans and others from sterling countries through the sale of free sterling to American importers. This is the first official estimate we have had of the turnover of the free sterling-dollar market during the whole of its existence. It confirms the impression always held that at no time can the turnover in this market have approached the volume of transactions in the official market, though in retrospect the breach in our gold and dollar resources caused by the overlong tolerated existence of the free market must none the less be deemed regrettably large.

Record Treasury Bill Applications

Last week's tender for Treasury bills saw the applications at the highest figure ever recorded—£160,470,000. The applications three months previously also reached the exceptionally high level of £152,230,000, a figure surpassed only by last week's total. It is therefore evident that heavy maturities of Treasury bills held in semi-official quarters have just been renewed. Faced with this keen competition for bills—a competition which cannot be beaten, since these sterling area holdings of Treasury bills must be renewed regardless of the rate earned on them—the market syndicate had to be content with an allotment of only 15 per cent. of its quota, the lowest figure recorded for over a year. The growth in the competition of sterling area funds for investment in Treasury bills over the past year may be roughly measured by the reduced allotments of bills to this discount market. Taking the syndicate quota of £65,000,000 and applying to it the allotment obtained in each of the past thirteen weeks, the total of Treasury bills now outstanding and originally obtained by the discount market at the weekly tender is about £251,000,000. At the corresponding time of last year the comparable figure was £372,000,000. It may be assumed that over the intervening twelve months the applications for Treasury bills from London banks and firms outside the discount market syndicate (the "outside" applicants) have fallen appreciably. The applications from sterling area central banks and currency authorities are, therefore, responsible for more than the falling off in bills allotted to the discount market. The position, from the point of view of the market syndicate, will be appreciably relieved after March 24 next, when £90,000,000 of Indian Reserve Bank funds, which are presumably invested in Treasury bills at present, will have to be withdrawn from the market in order to pay for the India Government stocks covered by the recent vesting order. So considerable a cut in the floating supply of sterling funds seeking short term investments should react appreciably on the allotments of Treasury bills to the discount market proper.

Chinese Exchange Precautions

News received from Chungking this week suggests that the centre of the Chinese Stabilisation Fund's operations may be shifted from Shanghai to the new inland capital of the Chinese Republic. To Western minds, the move seems to have been long overdue. Admittedly the Oriental subtlety, which can still regard the Sino-Japanese war as an "incident" and which has contrived some kind of working arrangement between the occupying Japanese authorities and the Chinese Customs, has hitherto taken in its stride the minor feat of conducting the operations of the Chinese Government's Stabilisation Fund from a Japanese controlled centre. But the difficulties of this particular arrangement have recently multiplied, partly owing to the inauguration of Wang Ching-wei's currency last January (described in an article from our Shanghai Correspondent on page 308), while the threat of hostile developments in the Pacific obviously counselled the wisdom of shifting part of the Stabilisation Fund's operations to Chungking. In this centre, the Central Bank of China, which acts as one of the agents of the Stabilisation Fund, will now buy and sell foreign exchange both at the official rate (for Government business) and at market rates. The headquarters of the Stabilisation Fund committee will remain

at Hongkong, but it will now have Chungking as well as Shanghai and Hongkong as one of its alternative centres of operation. The open market rate remains steady at around 3½d.

Dearer Mail Transfers to South Africa

From the beginning of this week the buying rate in London for bills on South Africa payable at sight was raised from £101 5s. 6d. to £101 8s. per £100 (South African). The basic telegraphic transfer rate remains unchanged at £101, and the latest alteration in the mail transfer rate has only been made to correspond with the longer average time now taken by mails between the two countries. The widening of the margin between the T.T. and the sight rate is merely intended to cover the interest on the additional period during which the buying bank in London will be out of its money. The balance of payments between South Africa and the United Kingdom appears on the external evidence of the Reserve Bank of South Africa's sterling assets, to be running against the Union—a surprising movement if we take into consideration the sales of South African gold which are now made direct to the Bank of England acting for the Treasury. The Reserve Bank's sterling assets stood at £7,096,000 on the outbreak of the war, and rose to a peak of £8,995,000 last summer. They were then depleted by the redemption of the £7,900,000 sterling loan last July. But the declining trend of these figures has continued persistently, and the latest return available, dated January 17th, shows sterling assets of £502,848 only.

Repatriating South African Capital

It is difficult to reconcile this movement with the fact that we are purchasing the bulk of South Africa's gold production, which is now running at the rate of about £110,000,000 a year. One important factor in the balance of payments between this country and the Dominion is the persistent repatriation to South Africa of South African gold mining shares previously held by British investors. The arbitrage in Kaffir shares between London and the Cape has for many months past been of a "one way" character, and, apart from these open market transactions, a considerable transfer of capital between the two centres appears to have been effected on the initiative of the gold mining finance houses. From the point of view of South Africa it is certainly good business to buy out the British capital invested in her gold mines from the proceeds of her sales of gold to the British Treasury. But it is doubtful if this factor alone can account for the dwindling of the Reserve Bank's sterling assets in the face of the substantial sales of gold—to say nothing of diamonds, wool, and other produce—which have been made by the Union. Part, at least, of the gold operations may be settled through direct inter-Governmental accounts which are not reflected in the Reserve Bank's figures.

India's Sterling Reserves

The Finance Member of the Government of India referred, in the course of his recent budget speech, to the impending utilisation of accumulated sterling reserves to repatriate the £90,000,000 of sterling debt covered by the last Vesting Order. He pointed out that the operation would reduce the Government's overseas obligations to the extent of well over £3,000,000 annually. Its completion, he said, would still leave the sterling reserves of the Government in the neighbourhood of £60,000,000, a figure almost exactly the average maintained during the last full pre-war year. The Finance Member showed by this estimate that an appreciable part of the Indian sterling securities which have now been vested have already been repatriated as a result of the plans made last year to issue the rupee counterpart of any India Government sterling security. The latest Reserve Bank of India return, dated February 21st, shows balances abroad and sterling securities held in the Issue and Banking departments at the equivalent of £43,100,000. It is evident, therefore, that the sterling to be disbursed by the Indian Government in respect of the securities to be repatriated will be some £7,000,000 less than the nominal amount of these issues now outstanding.

Investment

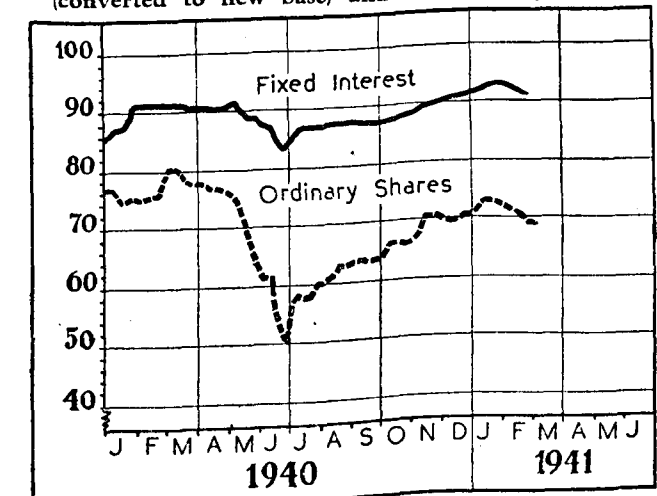
Rationalisation by Decree

The Government's decision to concentrate production in a smaller number of factories working full time, instead of in a larger number running at part capacity, is a move in the right direction which is long overdue. Its object is primarily to free labour for the war effort, and, as it is an essential step to this end, it must be accepted by the investor, however unfortunate or inequitable its results may be. That they will be inequitable is certain, for one of the principal criteria in deciding whether a company shall work or close will be the state of labour supply in its district. For investors in general, that must be taken as a "bull" point since it increases our war potential, but at the moment it does little more than substitute one set of uncertainties for another. Except for the expert, it is very difficult to say, outside a few obvious leaders, what firms will close down, nor is it clear when, or how much, compensation will be payable. Beyond the fact that direct Government subsidy is excluded, everything is fluid and will remain so until each industry has made its arrangements. It cannot even be assumed with certainty that the total net profit available from any industry will be increased by the measure, and a ruling as to the application of E.P.T. will be an essential factor in determining what part of profit is retained for compensation to the unfortunate and remuneration of shareholders in the concerns which continue to operate. The immediate effect on share prices has been slight, partly because the move has been discounted by the selective buying whose start was mentioned in *The Economist* of January 25th. It seems certain, however, that, until the outlook clears, equities are likely to be rather depressed, outside the restricted circle of obvious leaders, who, themselves, may not altogether escape.

Selective Recession

As compared with a year before, when almost every class of security, fixed interest and equity alike, was rising rapidly, the month just ended has made a rather poor showing. There is, however, nothing in the very moderate recession in prices, which it brought to most securities, to cause surprise, still less despondency. The chart of weekly averages of *The Financial News* indices, appearing below, presents in fact a more "normal"

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



appearance in the past few months than the rather exaggerated movements of the first year of war. It was suggested in *The Economist* as long ago as November 23rd that stock markets were entering a new phase; that the effects of changes in national policy with regard to the supply of materials and labour would henceforth be more important, and that E.P.T., while it might in some cases cushion the effect of falling earn-

ings upon dividends would tend increasingly to cut into net figures. The implication was that any future rises would be highly selective, except in so far as they were merely a reaction to a fall in the real rate of interest. Since then, the yield on 2½ per cent. Consols has fallen from 3.31 to 3.25 per cent. and that on industrial equities from 6.69 to 6.40 per cent. according to *The Actuaries' Investment Index*. The rise in the past month in the latter figure is from 6.26, not a very substantial response to the spread of war, the now chronic uncertainty as to the policy of the men of Vichy, and the many doubts as to what the next few months will bring in new imposts and restrictions on industry.

Cautious Reinvestment

Actually, the proportion of the month's decline which can properly be attributed to these causes is relatively small. The aggregate loss in value is somewhat over 4 per cent., according to *The Financial News*, and rather under 3½ per cent., if *The Actuaries' figure* is taken. The details of the latter show that over half the decline is due to sharp setbacks in cotton shares, and in gas and railway stocks. These three items account for some 10 per cent. of the total index, and they have

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928 = 100)				Yields per cent.		
	Feb. 27, 1940	Dec. 31, 1940	Jan. 25, 1941	Feb. 27, 1941	Feb. 27, 1940	June 25, 1940	Feb. 25, 1941
Fixed Interest							
2½% Consols.....	132.0	136.9	137.5	137.4	3.38	3.53	3.25
Home Corporations (4).....	128.2	127.5	128.3	129.3	3.63	3.79	3.60
Invest. Trust Debents. (5)	114.6	108.7	108.5	111.7	4.09	4.16	4.19
Distributive Debentures (9)	104.6	101.7	103.7	101.6	4.14	4.00	4.28
Distributive Preference (22)	71.2	61.9	63.1	63.4	4.86	6.44	6.16
Total Indus. Pref. (101)...	97.0	88.8	90.9	91.2	4.62	5.52	4.98
Ordinary Shares							
Insurance (10).....	101.3	86.1	88.4	85.9	4.17	6.23	4.77
Investment Trusts (9).....	36.8	32.0	32.7	33.3	6.61	6.64	7.07
Aircraft (5).....	59.1	50.1	47.5	46.8	10.15	21.21	12.50
Cotton (5).....	32.0	22.6	23.2	20.5	2.67	4.11	3.44
Gas (8).....	81.3	64.9	61.2	55.9	5.88	7.09	7.25
Total Productive (90).....	65.0	63.1	64.7	62.7	5.86	9.35	6.63
Total Distributive (29).....	57.2	33.0	35.1	31.5	3.07	11.64	9.36
Home Rails (4).....	45.6	34.3	34.7	33.5	5.51	8.73	5.81
Total Miscellaneous (40).....	66.7	57.3	58.4	57.0	5.51	8.46	6.31
TOTAL INDUSTRIAL (150).....	60.6	49.5	50.8	49.1	5.71	9.01	6.40

fallen by about that percentage. More moderate declines in bank and insurance shares are only partially offset by a rise in investment trust equities, which, after the customary time lag, are now entering on a period of improvement, the rise being shared by the debenture stocks of the group. Other changes are small in amount, but it is worth noting that both home corporations and industrial preferences have appreciated against the trend of gilt-edged, thus further reducing the yield

TYPEWRITERS FOR NATIONAL SERVICE

H.M. Stationery Office ask all owners of typewriters to offer for purchase any which they can spare. These are urgently required for work of National importance. Offers of machines not more than 15 years old and in good working order should be made at once to:—

THE DIRECTOR OF SUPPLIES (S3E),
H.M. Stationery Office, Princes Street, S.W.1.
State name of maker, model and whether you wish to sell or loan.

margins. Incidentally, the first-class corporations, covered by this index, are now well above the levels of a year ago, while miscellaneous industrial debentures and preference shares are on the point of making good the falls of the spring. All these changes have special explanations which have much more to do with the general development of Government policy than with events on any battle front. Since these developments appear to be on the lines of securing a real increase in our war effort, it must be assumed that, however unfortunate for certain classes of share, they are good for investors as a whole. This supposition finds some reflection in the fact that it remains very difficult to buy any considerable amount of stock without forcing up the price. Holders of the recently vested dollar stocks are investing the proceeds very slowly. Whether the private individuals, who must hold a substantial part of the India loans, to be paid off in a fortnight's time, will be equally patient is doubtful, but these will, probably, look to a mixture of gilt-edged and second-line fixed-interest stocks for replacement, thus affording little support to equities.

* * *

Broker and Client

The proposals for Stock Exchange reform, commented on in *The Economist* of February 15, have been given a sufficiently good reception to encourage the publication of a scheme, whose adoption *in toto* would have very important effects. This is for the concentration of all settlement and accounting in a special department of the London Exchange, leaving the broker free to act solely as an expert in investment. It would, when in full operation, result in very material saving, to be used either to reduce commissions or to improve service. It would, however, also mean that all communications to the client, apart from the giving of advice and the taking of orders, would come, not from his broker, but from an unknown official, who would, by definition, deal with many more individuals than the broker, and who would find it difficult, to say the least, to keep track of the very special requirements of individual clients. It may be said at once that this scheme, in its fullest form, is far from having secured official sanction. It will require a good deal of education of clients—and indeed of brokers—before it can become acceptable, or even workable. The scheme was first put forward for use in the event of an emergency and some of its provisions would be useful in such a context. Some will also fit in well with the famine of suitable employees, which threatens to become acute. This may well expedite the adoption of changes on the lines of those of the past two decades which, unnoticed by the investor, have helped to prevent a rise in charges, but it is very doubtful whether anything like the full advantages of even a partial centralisation of accounting could be reaped in war-time, when the substitution of machines for ledger clerks might well prove impossible. Such changes need call for no real sacrifice by investors, but they would be facilitated by a greater attention to detail in giving orders. There is plenty of room for improvement in the brokers' service, but progress entails the co-operation of both company managements and clients.

Company Notes

Courtaulds' Preliminary

Courtaulds' preliminary statement for 1940 shows a further encouraging advance from the setback of 1938. Net profits, after depreciation and fees, but before taxation, have risen from £2,572,512 to £3,291,392. An increase in tax liability, which is up from £991,257 to £1,764,808, has more than kept pace with higher revenue and, with a net payment of £230,000 on preference capital, the surplus for ordinary stock is reduced from £1,321,255 to £1,296,584. This sum, however, represents an increase in the earned rate from 8.2 to 9.4 per cent. The allocation to contingencies is increased from £161,939 to £185,737 and the carry forward is slightly higher at £323,007, against £316,160. Detailed comment must wait upon the issue of the report, especially on the treatment of Continental investments, but it is clear that, taxation apart, the rise in costs has been rigidly controlled by the company during the past year, and that output has very substantially increased. In the current year, much

will depend upon the extent to which communication with the company's export markets can be ensured and on Government policy regarding its investments in the United States. The company's scientific staff is actively

	Calendar Year		
	1938	1939	1940
Profit†	£ 473,842	£ 2,572,512	£ 3,291,392
Income tax and E.P.T.	121,577	991,257	1,764,808
Net pref. div.	290,000	260,000	230,000
Ordinary capital:—			
Earned	62,265	1,321,255	1,296,584
Paid	696,000	1,128,000	1,104,000
Earned %	0.4	8.2	9.4
Paid %	4	7	8
Reserves‡	Dr. 621,938	161,939	185,737
Carry forward	284,844	316,160	323,007

† After depreciation, excise duty and fees. § From stocks and insurance reserves in 1938 to contingencies 1939 and 1940.

pursuing the production possibilities of new types of fabric, and it is possible that further significant strides will be made away from dependence on cotton and woollen textiles. At 27s. 10½d. ex dividend, the £1 ordinary stock yields £5 14s. 9d. per cent.

* * *

Electricity Supply

It is to be expected that provincial and home counties electric supply companies will have made a relatively better showing during the past year than those situated in London, where both evacuation and bomb damage have affected revenue. In fact, no very marked contrast is provided by the accounts of *City of London Electric Lighting* and *Midland Counties Electric Supply*, both of which present their reports for the calendar year 1940. Gross revenue of the former company from sales of current declined from £870,579 to £856,377; while receipts of the latter from subsidiaries, including traction companies, fell from £396,976 to £365,400. With a moderate increase in both cases in generating and management costs, net profits of *City of London* amount to £77,079 against £103,759, and, after reducing the total ordinary dividend from 7½ to 7 per cent., and meeting 1 per cent. of this payment from reserve, the carry-forward declined from £106,010 to £100,289. *Midland Counties Electric* sustained a setback in equity surplus only from £228,627 to £212,342, which, grossed up at the higher standard rate of tax, is equivalent to a rate of 12.3 against 11.7 per cent. Thus, the 8 per cent. ordinary dividend, which is maintained, is amply covered and, after allocating £70,000 against £71,435 to reserve, the carry-forward is raised from £16,854 to £20,696. The stability of earnings maintained by both concerns during war is a good omen for further progress of the electric supply industry when peace is restored. The market distinguishes sharply between their prospects, however, for *Midland Counties* £1 ordinary stock, at 88s. 6d. ex dividend, yields £4 15s. 5d. per cent., while *City of London* £1 ordinary stock is quoted ex dividend at par.

* * *

The Barker Group

After the dismal results forecast and realised so far by the leading London department stores, the decision of *John Barker* to maintain the ordinary dividend at the 10 per cent. paid in the previous year must be doubly welcome to shareholders. The net profits figure provided in the preliminary statement does, of course, show a sharp reduction from £306,664 to £196,897. After meeting the usual allocation of £10,000 to staff funds and the service on preference capital, the surplus for ordinary dividend is, consequently, reduced from £250,489 to an estimated £140,722. In 1939-40, however, the 10 per cent. dividend was covered by an earned rate of 29.4 per cent., and, after the decline of the past year, a rate of 14.7 per cent. still provides an adequate margin. After reserving £30,000 for general purposes, the carry-forward is almost unchanged at £205,823. Since building has ceased, no allocation is made to reserve for rebuilding of premises against £100,000 in the previous year. But for this a drastic cut in dividend would have been probable. To some extent, no doubt, the Kensington High Street

shops profited last year from loss of business by Oxford Street stores, and their immunity from bomb damage has permitted the maintenance of reserves. It is also possible that the very high level of stocks a year ago played its part in the result. Despite the relatively satisfactory revenue earned last year, it is clear that income must be increasingly affected by limitation of supplies and by rising taxation. So far, the company has been able to adapt itself readily to changing conditions, and the £1 ordinary shares, at 27s. 6d., offer the satisfactory yield of £7 5s. 5d. per cent.

* * *

Two Oil Reports

Since the outbreak of war, the accounts of oil companies have tended to appear increasingly late, and it is, therefore, scarcely surprising to find that, of the two latest reports, that of *Anglo-Ecuadorian Oilfields* relates to the year ending June 30, 1940, and that of *Canadian Eagle Oil* to the calendar year 1939. *Anglo-Ecuadorian* enjoyed a satisfactory rise in net trading income, after United Kingdom taxation, from £274,450 to £341,847 and in total income from £297,201 to £362,057, thus reversing the declining trend of the three previous years. Moreover, the figure for net operating income is struck after deduction of £40,000 for contingencies. The equity surplus, at £215,456 against £170,141, an increase from 12.1 to 17.6 per cent., provides generous cover for the 10 per cent. dividend, and, after the allocation of £50,000 to general reserve, the carry-forward is still £15,456 higher at £112,504. The most important balance-sheet changes at the end of June last were reductions in debtors and in cash holdings, the funds released helping to raise investments in British and Dominion Government securities by nearly £100,000 to £615,825. The *Canadian Eagle* accounts for 1939 show a fall in income from dividends of some £158,257 to £521,135. Of the decline, £105,000 is represented by deduction of British income tax. The net fall in total income is less severe, since a modest profit has been made from oil trading operations, due mainly to *Canadian Eagle* control of the crude output of certain Venezuelan oilfields. Thus, gross income amounts to £553,705 against £611,413, and the free surplus shows a decline only from £403,245 to £374,164, thanks to a redistribution of management expenses within the group. The ordinary shareholders receive 6d. a share, as in the two previous years, and the carry-forward is raised from £425,210 to £436,140. Substantially lower oil stocks and higher debtors in the balance sheet are accounted for by sales of *Eagle Oil* and *Shipping* oil stocks, in the United Kingdom at the

outbreak of war, to the Petroleum Board. The proceeds of this sale have been placed to reserve to provide for repurchase on the liquidation of the Board. The exploration work of the company in South America has been considerably reduced since the outbreak of war, and the purchase and sale of oil agreements between *Eagle Oil* and *Shipping* and *Mexican Eagle Oil* remain in abeyance pending the release of the properties of the latter company by the Mexican Government. The *Anglo-Ecuadorian* £1 ordinary stock, at 19s., yields £10 10s. 6d. per cent., while *Canadian Eagle* ordinary shares of no par value stand at 8s. 10½d., returning £5 13s. 2d.

* * *

United Serdang Recovery

A considerable improvement is shown by United Serdang earnings for the year to August 31, 1940, which, before taxation, have risen from £179,161 to £344,026. After allocation of £30,000, against £35,000, for taxation reserve and of £25,000, against nil, for estate depreciation, the equity surplus shows an increase from £71,193 to £131,108, and the ordinary dividend is raised from 5 to 9 per cent., the level distributed in 1937-38.

	Years ended August 31.		
	1938	1939	1940
Profits	£ 226,082	£ 179,161	£ 344,026
N.E.I. tax, and expenses	22,201	39,656	188,428
Estate and plant deprecn.	43,666	24,812	35,490
Tax reserve and N.D.C.	30,500	43,500	39,000
Ordinary stock:—			
Earned	129,715	71,193	131,108
Paid	128,095	71,164	128,095
Earned %	9.2	5.0	9.9
Paid %	9	5	9
Carry forward	94,544	94,574	97,587

The better trading results of the past year are mainly due, as is pointed out by the chairman, Mr. H. Eric Miller, in his speech circulated with the report, to the higher exportable crop of rubber and to the improvement in the average net sale price from 8.73d. to 10.49d. per lb. The company is, of course, hampered by scarcity of shipping space and by loss of continental markets, in particular for palm oil. Despite increasing taxation, a reasonable margin of profit should be assured, at least while the prosecution of the war continues to necessitate a high rate of rubber absorption. The liquidation of stocks in the post-war world must depend upon future agreement between the Rubber Reserve Company and the International Rubber Regulation Committee. United Serdang 2s. ordinary stock, at 1s. 11d., yields £9 7s. 5d. per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

DESPITE disquieting news from the Balkans and the announcement that unessential factories at home are to be closed down, markets showed considerable resistance, both before the week-end and during the past week. This has been particularly true of the gilt-edged market. Among industrial equities, all sections suffered a number of small losses, and business was on a very modest scale. Commodity markets were also quiet, and the oil market showed some weakness on account of its geographical interest in Balkan developments.

*

Price changes have been few in the gilt-edged market, which showed great firmness in face of various alarms. In fact, 2½ per cent. Consols gained ½ on both the first two days of the week, and Local Loans also improved by the same amount. There was support for 4 per cent. Funding on Tuesday, and Indian issues were steadily in demand. In the foreign bond market, pessimistic trade forecasts continued to cause depression in Brazilian bonds, while on Monday Japanese issues were mainly 1 point lower. Later in the week this loss was partially made good. Belgian 4½ per cent. bonds were sold, easing 1½ points

on Tuesday, but there was considerable interest in Austrian 4½ per cent. and Czech 8 per cent. loans.

*

Selling of home rail stocks continued to be the rule. A number of preference issues were quoted lower, but the brunt of the movement was taken by the junior issues. Thus, Great Western ordinary lost ½ point on Monday, followed by ½ point the next day, while Southern preferred shed 1 point, followed by ½ point. Among foreign rails, Canadian Pacific ordinary moved uncertainly.

*

The conspicuous feature of the industrial market was the small amount of business passing. Price movements on the whole tended downward, but no very marked movement took place in response to the Board of Trade announcement of an active policy for closing down unessential works. Despite the fact that few market leaders can be directly affected, uncertainty as to the implications of the scheme, especially in respect of compensation, led to falls in such important issues as Courtaulds, which had been buoyant on the profits figures, B.A.'s., Guinness, and Woolworths. Before the announcement, the tobacco leaders showed a general weakness, and the textile group, excepting Courtaulds, was de-

pressed. Shipping and electrical supply shares were in demand, but, among general industrials, such leading issues as I.C.I., Dunlops and Lever and Unilever were sold in a small way.

*

In the kaffir market, the tone was firm, despite a paucity of business and a few notable declines. West Wit Areas lost ground on balance, and losses were sustained by Sub Nigel, "Sallies" and Grootvlei. The loss of ½ by Crown Mines, before the week-end, was made good during the current week. Other mining markets remained quietly firm, though Rhokana, among copper companies, eased ½ on Tuesday. There was

(Continued on page 316)

"FINANCIAL NEWS" INDICES				
1941	Approx. Total Bargains in S.E. List	Corres. Day 1940	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Feb. 27 ...	2,170	5,550	68.5	126.5
" 28 ...	2,438	5,584	68.9	126.5
Mar. 3 ...	3,048	6,773	68.6	126.4
" 4 ...	2,344	6,320	68.6	126.4
" 5 ...	2,317	6,138	68.4	126.4

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1941: highest, 73.7 (Jan. 17); lowest, 68.2 (Feb. 25). 20 Fixed Int., 1941: highest, 127.1 (Jan. 20); lowest, 126.1 (Jan. 2).

Industry and Trade

Cotton Industry's Problems

The affairs of the cotton industry throw an interesting sidelight on the problems raised by the proposals for concentrating production announced this week by the President of the Board of Trade. Some three weeks ago the Cotton Controller warned the spinning and manufacturing employers and the trade unions concerned that owing to the heavy demands on shipping the amount of raw cotton available during the next few months would have to be severely reduced, and he suggested that the representatives of the industry should formulate some scheme for reducing production. It was generally agreed amongst the interests affected that the curtailment of output should be on a spread-over basis, but it was then reported that this proposal was not acceptable to the Controller. In the middle of last week the Controller advised individual spinners concerning the licences for the use of cotton that would be available during this month. Employers fully engaged on Government contracts secured practically a full allowance, while firms engaged on the manufacture of goods for home civilian use were given a very small supply; and it was realised by the industry that, in most sections, a substantial amount of machinery would have to stand idle, while some mills would have to be stopped. For the time being fresh business has been brought to a standstill, for, in consequence of the curtailment of cotton supplies, delivery dates for existing orders have been

pushed further ahead. It is estimated in Lancashire that some thousands of operatives will be released for the Forces and munition work, but the trade unions are afraid that there might be a time-lag between the cessation of employment in the mills and the absorption into armament factories. The employers are concerned with the effect upon their financial position, and it is held that some scheme of compensation should be arranged for the owners of mills that are compelled to close down. In a statement issued on Wednesday, the Cotton Board suggested that the Controller should suspend the issue of new priority directions for a brief period except for urgent orders, and that operatives thrown out of work this month should not be treated as ordinary unemployed, but drafted to other cotton employment or reserved for it. The Board further suggested that a compensation scheme to be prepared jointly by the Board and the Employers Organisations and submitted to the Government. In the meantime, discussions continue to take place between the Controller and the directors of the Liverpool and Manchester Cotton Associations with regard to the decision of the Ministry of Supply that the Government should in future be the sole importer of raw cotton. It has been suggested that if it is not possible to use the old-established merchanting organisation, then Liverpool and Manchester firms should work on a commission basis as a temporary measure.

(Continued from page 315)

little business among tea or rubber shares, though such price changes as occurred were mainly for the worse. Allied Sumatra and Anglo-Dutch both suffered small losses. At the beginning of the week the oil market was down on news of the German invasion of Bulgaria. Losses of $\frac{1}{2}$ were suffered by Shell Transport and Burmah oil ordinary, while Anglo-Iranian ordinary was $\frac{1}{4}$ lower. A firmer tone prevailed later in the week, though there was some selling of Trinidad issues.

New York

BOTH before the week-end and during the current week, the undertone on Wall Street was nervous and business was at a minimum. Encouragement which investors drew from the settlement of the Bethlehem Steel strike before last week's close was short-lived, and the predominant influence remained that of foreign political developments. Sentiment was depressed by the entry of German troops into Bulgaria, and disquieted by continued tension in the Far East. On Tuesday, big orders for Woolworths and U.S. Steel and a number of smaller investment buying encouraged a moderate rally. This movement was not continued in mid-week, despite a firm opening.

The Iron Age estimates steel mill activity at 98 per cent. of capacity against 97 per cent. in the previous week.

New York Prices

STANDARD STATISTICS INDICES

(1926 = 100)

WEEKLY AVERAGES

	1941		Feb. 11, 1941	Feb. 18, 1941	Feb. 26, 1941
	Low Feb. 18	High Jan. 15			
347 Industrials	84.9	806.0	88.9	84.9	87.9
32 Rails	25.4	28.0	26.6	25.4	26.4
40 Utilities	72.5	78.7	75.0	72.5	74.2
419 Stocks	73.3	82.1	76.7	73.3	75.8
Av. yield*	6.65%	6.13%	6.65%	6.48%	6.30%

* 30 Common Stocks. (a) Jan. 22. (b) Jan. 8. (c) Feb. 11.

DAILY AVERAGE 50 COMMON STOCKS

Feb. 20	Feb. 21	Feb. 22	Feb. 24	Feb. 25	Feb. 26
94.50	95.00	Closed (a)	95.90	96.80	96.90
1941 High: 105.80, January 10. Low: 92.40 February 14. (a) George Washington's birthday					

Total share dealings: Feb. 26, 380,000; Feb. 27, 310,000; Feb. 28, 410,000; Mar. 1, 140,000; Mar. 3, 330,000; Mar. 4, 310,000.

	Close Feb. 25	Close Feb. 26		Close Feb. 25	Close Feb. 26
1. Railroads					
Balt. & Ohio ..	31	31	Celanese of A.	23	23
Ch. & N.Y. ..	24	24	Chrysler ..	66	66
Illinois Cent. ..	61	61	Curt. Wr. "A"	26	26
N.Y. Cent.	12	12	Eastman Kdk.	130	128
Northern Pac. ..	61	61	Gen. Elec.	32	32
Pennsylvania ..	23	23	Gen. Motors ..	43	42
Southern	12	11	Inland Steel ..	77	75
2. Utilities, etc.			Int. Harvest ..	48	47
Amer. Tel.	160	160	Int. Nickel ..	24	24
Amer. W. Wks. ..	52	51	Liggett Myers ..	90	89
Pac. Light	36	36	Nat. Dairy	13	13
Pub. Sv. N.J. ...	26	26	Nat. Distillers ..	21	20
Stlm. Cal. Ed. ...	25	25	Nat. Steel	56	55
United Gas	8	8	Proct. Gamble ..	52	52
3. Commercial and Industrial			Sears Roebuck ..	72	72
Amer. Metal	17	17	Shell Union ..	11	11
Am. Roll. Ml. ...	13	13	Socony Vac.	8	8
Ana. Smelting ..	40	40	Stan. Oil N.J. ..	34	34
Anacosta	23	23	20th Cen. Fox ..	6	6
Briggs	21	21	West. Ste. El. ...	59	57
			Woolworth	95	94
			Yngstn. Sheet ..	35	33

Capital Issues

Week ending March 8, 1941	Nominal Capital	Conversions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction By Permission to Deal	Nil	Nil	Nil
Nat. Savings Certs. 1	4,601,914	4,601,914	4,601,914
3% Defence Bonds (a)	4,601,000	4,601,000	4,601,000
24% Nat. War Bonds	46,694	46,694	46,694
Ditto, 2nd issue (a)	8,926,937	8,206,937	8,206,937
3% Savings Bonds (a)	4,919,564	4,919,564	4,919,564

† Week to February 25, 1941. † Week to February 25, 1941, making total since June 25, 1940, £44,408,802. (a) Total sales to February 25, 1941, £230,630,055. (b) Total sales to February 25, 1941, £51,190,206. (c) Total sales January 2, 1941, to February 25, 1941, £93,812,169.

Year	Including Conversions	Excluding Conversions
1941 (New Basis) ...	219,608,727(a)	219,608,727(a)
1940 (New Basis) ...	408,897,557	56,142,424
1941 (Old Basis) ...	219,453,842(a)	219,453,842(a)
1940 (Old Basis) ...	405,063,630	52,308,497

Destination (Conversions Excluded)

Year	U.K.	Brit. Emp. ex U.K.	Foreign Countries
'41 (New Basis) 217,059,624(a)	2,549,103	Nil	Nil
'40 (New Basis) 52,557,006	226,046	Nil	Nil
'41 (Old Basis) 216,953,842(a)	2,500,000	Nil	Nil
'40 (Old Basis) 52,308,497	Nil	Nil	Nil

Nature of Borrowing (Conv. Excl'd)

Year	Deb.	£	Ord.
'41 (New Basis) 217,059,624(a)	8,541	2,180,568	3,343,721
'40 (New Basis) 52,557,006	235,687	3,343,721	2,500,000
'41 (Old Basis) 216,953,842(a)	Nil	2,500,000	360,997
'40 (Old Basis) 51,925,000	22,500	360,997	Nil

"Old Basis" includes public issues and issues to shareholders. "New Basis" is all new capital in which permission to deal has been granted. (a) Less £1,600,000 repayments of National Savings Certificates 4 weeks to February 22, 1941.

Shorter Comments

Canadian Pacific Railway.—Gross earnings, January, 1941, \$14,685,000 (\$12,245,000); net earnings, \$2,666,000 (\$1,829,000).

Abbey Road Building Society.—Profit 1940, £1,396,849 (£1,514,829). Dividends to shareholders, £1,271,589 (£1,348,090). Reserve Fund No. 1, Nil (£200,000). Reserve Fund No. 2, £9,731 (£9,811). Carry forward, £252,338 (£103,509). Advances, 1940, £714,745 (£6,280,668). Total assets, £49,835,096 (£51,401,462). Shareholders received 3½ per cent. tax free from January to August 31st, 1940, and 3 per cent., tax free, from September to December 31st, 1940.

Celanese Corporation of America.—Net sales, 1940, reached record of \$44,510,651 (\$35,478,947). Tax provision, \$5,424,954 (\$2,363,782). Net earnings, \$6,376,896 (\$6,374,100). Cash dividends on common stock, \$1.25 (50 cents). Scrip dividends ½ shares for each 100 held. Earned surplus forward increased by \$2,104,408 to \$12,048,828.

Metal Industries Ltd.—Metal Industries will proceed with the acquisition of the Ordinary and Preference shares of Sentinel Wagon Works. Metal Industries offered 4s. 3d. for each 6s. Preference share and 2s. 3d. for each 2s. Ordinary share.

International Paint and Compositions.—Net profit, 1940, £208,145 (£208,823). Ordinary dividend remains at 20 per cent. for year.

Rise in Shipping Costs

The war has brought a substantial increase in the cost of operating merchant ships and, consequently, in freight rates. So far as wages are concerned, these were increased by £2 per month for officers and by £3 per month for crews on March 1st, 1940. A further advance of £2 per month for both officers and crews was granted on January 1st, 1941, in order to reduce the gap between the wages paid on British and allied ships. Although the monthly rate of pay for A.B.'s has risen by 83.2 per cent. over the pre-war wage of £9 12s. 6d. In addition to the increase in wage costs, the price of stores, provisions and repairs has shown a marked rise. The cost of marine insurance has also recorded a heavy increase, though the excess over the rates ruling in September, 1939, is refunded to shipowners by the Ministry of Shipping. The cost of war risk insurance, which is borne by the Government in the case of requisitioned vessels, has risen from 2 per cent. for 91 days, or 8 per cent. per annum, at the outbreak of war to the current rate of 7 per cent. for 91 days or 28 per cent. per annum. As a result of the rise in costs, freight rates have been advanced considerably. While the tramp freight rates charged by the Ministry of Shipping are not published, the Chamber of Shipping estimated that those charged by neutral owners last year averaged 113 per cent. more than in 1939.

Income from Shipping Services

The annual report of the Chamber of Shipping, published last week, contains the usual estimate of the value of the export of shipping services. In the table below, the export of shipping services in recent years is shown side by side with the excess of merchandise imports over exports:—

	Excess of Imports over Exports		Export of Shipping Services	
	£ million	% of import surplus	Total £ million	% of import surplus
1929	382	130	34	34
1931	407	80	20	20
1937	432	115	30	30
1938	387	90	23	23
1939	400	100	25	25
1940	661	200	30	30

The estimated increase in the total of gross freights, less expenditure abroad, between 1939 and 1940 has been substantial; indeed, the value of the export of shipping services covered nearly one-third of Great Britain's adverse balance of trade last year. True, shipping costs, as is shown in the previous note, have recorded a marked advance since the outbreak of war, but these were chiefly met in the United Kingdom.

A New Salvage Campaign

The Controller of Salvage is appealing for an increased effort by housewives to save and sort their waste-paper, metal, bones, rags, foodwaste and torch batteries. Last year 800,000 tons of waste material, enough to make 100 shiploads, were salvaged and sold for £2,200,000. It included 250,000 tons or 40 shiploads of paper, enough metal to build 16,000 tanks, and enough kitchen waste to feed 100,000 pigs. Mr. Judd, however, is of opinion that more could be done, and he is going to extend the principle of compulsion to the smaller urban districts with populations between 5,000 and 10,000. To the 28 unpaid district advisers are to be added 65 assistants; area transport officers are to help councils, and 30 plants for concentrating kitchen waste into and pig and poultry food are to be established. The Ministry of Supply hopes that it will not be necessary to make it a penal offence for housewives not to separate waste paper, metal and bones, but it complains that far too much waste paper is at present spoilt by being thrown away with other refuse. Before applying compulsion to housewives the Ministry would be well advised to apply more detailed compulsion to local authorities, not merely to carry out their salvage duties, but to make it clear to housewives that they are carrying them out. It is by no means easy for a busy housewife to maintain some five different receptacles and sort out everything as she

throws it away, and she can only be expected to take this trouble if she is satisfied that it will not be rendered nugatory by the dustman or at a later stage of disposal. Some dustmen tell housewives that they need not sort their rubbish as that will be done at the depot, and the housewife is left wondering whether this is true or is merely a labour-saving excuse. It might be well if each council circularised its householders direct, telling them exactly what it wished them to do and explaining why. The Controller of Salvage can hardly hope to stop people using their waste paper to light fires, but they would be much more careful to save the remainder if they had the assurance of their own local authority that it really was used again. There are rumours that the paper manufacturers have more waste paper offered to them than they can profitably handle, and similar rumours about scrap metal crop up from time to time. The salvage campaign should include an effort by the Controller to keep abreast of such gossip. Untrue stories should be denied as soon as they begin to circulate, and the foundation for those which are true should be as promptly removed.

Documentary Films for the Export Trade

Although the use of documentary films in trade promotion began before the war, it is likely to be used increasingly for this purpose in the future. The British Council, in co-operation with the Board of Trade Press Office, is prepared to sponsor the production and showing of documentary films dealing with industries engaged in the export trade. For some years the British Council has used films in its work of making British life and achievements better known abroad, and this experience should be of great value to the export trade. It is proposed that the general theme of the films should show the enterprise, technical progress and resources of British industry. The object of the films is to provide a background for our exports as a means of creating an interest in them; treatment would aim at creating and holding the interest of general audiences. A film would be sponsored only if the Films Committee of the British Council were satisfied that the subject would lend itself to sympathetic treatment. By the arrangement made with the Board of Trade, the Council would be willing to bear about four-fifths of the costs of making a film for an Export Group, or the industry it represents, if the Group agreed to contribute the remaining one-fifth. The Council would supervise production and bear all costs of distribution. The Council is in a position to arrange wide theatre and non-theatre showing abroad through both commercial and other channels. There is every hope, with the weight of British Council experience behind it, that this experiment in assisting British industry abroad should succeed.

Milk Production Costs

The Oxford Institute of Agricultural Economics has just published a pamphlet summarising its report on the costs of milk production from October, 1938, to September, 1939. It shows that until the trend was reversed by war conditions, a decrease in these costs was in progress. Returns were obtained from 382 wholesale and 47 retail producers, and from 123 producers of

COSTS OF MILK PRODUCTION PER GALLON, 1938-39

382 Wholesale, 123 Graded and 47 Producer-retailer Farms

	Foods	Labour	Misc.	Herd Re- place- ment	Gross Farm Cost	Credits	Net Farm Cost
Wholesale	d. 5.05	d. 2.18	d. 1.24	d. 0.98	d. 10.35	d. 0.88	d. 9.40
Graded	d. 6.65	d. 2.51	d. 1.68	d. 0.88	d. 11.72	d. 0.98	d. 10.74
Producer-retailer	d. 6.17	d. 2.90	d. 1.52	d. 1.35	d. 11.94	d. 0.89	d. 11.05

tuberculin-tested milk, referred to as the "graded" producers. The average number of cows per head in each of these categories was 32, 30 and 37 respectively, and the total quantity of milk produced was 11,807,000 gallons, of which 55.1 per cent. was produced in the summer. The cost of production of summer milk was 4.87d. or 40.41 per cent. lower than that of winter milk

in the wholesale group; 5.12d. or 37.54 per cent. in the graded and 4.3d. or 33.41 per cent. in the producer-retailer group. Gross and net farm costs were 1d. per gallon lower than in the preceding year in the wholesale and producer-retailer groups and 1½d. per gallon in the graded group, where they were lower than ever before. Indeed the decline in the comparative costs of producing tuberculin-tested milk is one of the features of this last pre-war year, and augurs well for the future. It will be seen from the table on page 317 that the graded producers' gross and net farm costs were actually lower in 1938-39 than those of producer-retailers. The decline in the quantities of food consumed, and especially of concentrates, was greatest in the graded group, probably because the production of premium milk is being increasingly undertaken by average producers working under ordinary commercial conditions. The average yield per cow per day was 1.77 gallons in the wholesale group, 1.71 gallons in the graded and 1.84 gallons in the producer-retailer group. Unhappily in the winter 1939-40 the reduction in milk costs was not maintained. The cost both per cow and per gallon of all foods in the wholesale group was higher than in either of the two preceding winters, and so were all other costs, while the yield per cow fell from 1.58 to 1.50 gallons per day. Figures for the whole year are not yet available, but it seems unlikely that yields can have been maintained in the face of the shortage of concentrates, and the rise in costs seems likely to continue as part of the general rise in the price level.

Retail Sales in January

The average daily value of total sales over the counter in January, as recorded in this week's *Board of Trade Journal*, was virtually the same as a year earlier; it showed a decline of only 0.3 per cent. As the accompanying table shows, the rise in the value of food sales, which accounted for 62 per cent. of the total turnover, offset a fairly substantial fall in non-food sales.

	Percentage Change from preceding Year	
	Food and Perishables	Other Merchandise
1940		
August	+ 5.4	+21.0
September	-11.5	+ 6.7
October	- 5.2	+20.9
November	- 0.3	+ 1.3
December	+ 0.8	- 6.7
1941		
January	+ 5.8	- 8.8

In view of the rise in food prices during the past year, the volume of sales last January was probably well below the level of a year ago. In the case of other merchandise, the decline in the volume of sales must have been very considerable, for a large proportion of the goods sold were no doubt subject to purchase tax. The value of stocks (at cost) of non-food merchandise at the end of January was 20.2 per cent. higher than a year ago; but their volume was probably appreciably smaller.

COMMODITY AND INDUSTRY NEWS

Tin prices showed another sharp drop on February 27th, falling by £5 5s. to £5 10s. to £264 10s.—£265 per ton standard cash. Since then fluctuations have been within narrower margins and prices for cash and futures have tended to be closer together. On Wednesday the price per ton of standard cash closed at £266 10s. to £266 15s., while the three months quotation was £266 5s. to £266 10s. The wholesale prices of bacon were revised with effect from March 3rd. The price of Wiltshire cut sides rose from £5 13s. 6d. to £6 5s. 6d. per cwt. and for gammons and hams the rise was from £5 18s. to £6 11s. 6d. per cwt. Details of the advance in retail prices are expected to be announced before March 10th. A further reduction of 2s. 6d. per 120 in the price of eggs is promised after Easter, but it is expected that this will be the last reduction to be made this year.

Feeding-Stuffs Ration Halved.—In a statement made by Mr. Tom Williams, M.P., Parliamentary Secretary to the Minister of Agriculture, he announced that the feeding-stuffs situation, especially as far as cereals are concerned, was so serious that it would be necessary to make a further reduction in supplies on April 1st. Poultry-keepers are the chief victims of the shortage and the ration to be supplied in April will be sufficient to feed only one-sixth of pre-war laying flocks of poultry. It is considered desirable, in view of the shortage of feeding-stuffs, that pigs should be marketed at lighter weights during the next few months, so as to reduce the number of pigs to accord with the decreased supplies of feeding-stuffs. To encourage farmers to make this reduction, the prices of certain classes of pigs were raised on March 3rd, though it is announced that they will be lowered on April 28th, and again on June 16th. The unit value of feeding-stuffs ration coupons is to be reduced from 1 cwt. to ½ cwt., although additional supplementary coupons are to be issued to mitigate the effect of this reduction to dairy herds, working horses, approved pedigree animals and selected poultry stock. Farmers selling home-grown grain will receive sufficient coupons to give replacement on a ton-for-ton basis.

Reduction in Cotton Supplies.—Business has been thoroughly disorganised by the reduction in the amount of raw cotton allowed to spinners. It is understood that broadly speaking licences

for March have been cut by 30 per cent., compared with February. Mills entirely engaged on Government contracts have received a full allotment, but production for export and the home trade is bound to be severely reduced. Numerous spinners of yarn have refused to sell, but some fair lines have been put through in fine Egyptian qualities. A large demand has been met with in piece goods, but here again contracts have been few and far between as most manufacturers have refused to sell. Some Government orders have been given out, but business in goods for ordinary civilian use has been at a standstill.

Oils and Fats Prices Unchanged.—Official maximum prices of controlled vegetable oils, marine oils and animal fats in operation during February are to be continued throughout March without alteration. In conjunction with minor changes in preceding months, this provides a certain degree of stability not unwelcome to the manufacturing industry. Edible oils required by manufacturers of margarine and cooking compounds are in good supply. The calls upon them, however, may not be so heavy in the near future as a result of the increase in the proportion of butter in the fats ration operating from March 10th.

Coffee Prices Fixed.—The Minister of Food has made an Order controlling the retail price of coffee from March 31st. The maximum price for dearer blends is to be 2s. 8d. per lb., but retailers must also stock cheaper blends at not more than 1s. 8d. per lb. Unroasted coffee beans may be sold at 2d. per lb. less. The wholesale price is not controlled, but has been rising steadily. At the beginning of the year the price of Costa Rica, medium to good, was £85 to £115 per cwt., while on March 4th it was £30 higher at £115 to £145 per cwt.

Smaller Newspapers.—The consumption of newsprint is to be reduced once more from March 16th, and it is likely that further cuts will be made in the course of the next three months. The effect of the present cut will be to limit the penny daily paper to 32 pages for six issues, and other papers will have their allocations reduced accordingly. This decision of the Newsprint Supply Company has been taken at the request of the Government in order to make further reductions in imports of pulp, pulpwood and newsprint.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended		From Aug. 1 to	
	Feb. 21, 1941	Feb. 28, 1941	Mar. 1, 1940	Feb. 28, 1941
American	18.0	16.5	825	550
Brazilian	9.1	13.2	182	216
Peruvian, etc.	1.8	2.5	134	78
Egyptian	5.9	3.9	224	125
Sudan Sakel	0.1	0.3	100	210
East Indian	13.7	8.2	215	231
Other Countries	6.1	6.2	89	...
Total	51.2	50.8	1,769	1,446

Source: Liverpool Cotton Association's Weekly Circular.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Feb. 10, 1941	Feb. 22, 1941	Feb. 24, 1940	Feb. 22, 1941
N. America	584	442	13,931	11,415
Argentina, Uruguay ..	127	152	12,587	5,831
Australia	...	...	612†	...
Russia	...	...	114	429
Danube and district ..	...	...	4,436	182
Other Countries	...	...	345	...

* Unobtainable. † Incomplete since January 4. Source: The Corn Trade News.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	Feb. 15, 1941	Feb. 22, 1941	Feb. 24, 1940	Feb. 22, 1941
Argentina	95	88	14,308	7,290
Atlantic America	30	33	3,067	2,980
Danube Region	...	...	1,430	678
S. & E. Africa	...	...	3,473	1,333†
Indo-China, etc.	...	...	1,564	91

* Not received. † Incomplete since January 4. Source: The Corn Trade News.

"THE ECONOMIST" SENSITIVE PRICE INDEX (1935=100)

	Feb. 24, 1941	Feb. 25, 1941	Feb. 26, 1941	Feb. 27, 1941	Feb. 28, 1941
Crops	103.7	103.1	102.7	102.9	102.9
Raw Materials	171.0	171.0	170.2	169.5	170.2
Complete Index	133.1	132.7	132.2	133.2	132.3
Mar. 31, 1937*	103.7	103.7	103.7	103.7	103.7
Crops	147.9	92.2	113.1	105.7	103.7
Raw Materials	207.3	122.9	171.8	166.8	171.4
Complete Index	175.1	106.4	137.5	132.8	132.1

* Highest level reached during the 1932-37 recovery

COMPANY MEETINGS

BORAX CONSOLIDATED

IMPROVED RESULTS

AGRICULTURAL DEVELOPMENTS

MR D. ABEL SMITH'S ADDRESS

The forty-third ordinary general meeting of Borax Consolidated, Ltd., was held, on the 4th instant, at Winchester House, Old Broad Street, E.C. Mr. D. Abel Smith (the chairman) presided.

The chairman, in moving the adoption of the report and accounts, said: The profit and loss account in its new form clearly shows all the chargeable disbursements, which now include the pensions and grants reserve, provision for depreciation of buildings and plant, debenture interest and premium on the debenture sinking fund policy. After their deduction the net profit for the year under review amounts to £265,823, representing an increase of £38,504 over last year. Adding to the above profit the amount brought forward from 1939, the total to be dealt with is £517,170. From this we have to deduct provision for British taxation £150,437, consisting of an appropriation of £75,000 from profits, together with the sum of £75,437 to be deducted from the dividends paid and proposed. This leaves a balance of £366,733.

THE DIVIDENDS

We have already paid the sum of £44,000, less income-tax, on the 5½ per cent. cumulative preference stock. Also an interim dividend of 8 per cent. on the preferred ordinary stock was declared on November 12, 1940, and paid on December 7, 1940, absorbing £18,000, less income-tax, and we now propose the payment of a final dividend of 3 per cent. on the preferred ordinary stock, which will absorb a further £18,000, and to pay a dividend of 7½ per cent. on the deferred ordinary stock, representing the sum of £97,500, less income-tax. These dividends, subject to the resolution being passed, will be paid to the stockholders on March 18th. After providing for these payments amounting, less income-tax, to £102,063, the balance to be carried forward is £264,670, an increase of £18,323 on the previous year.

BALANCE-SHEET ITEMS

We have written off from the buildings, plant, etc., account the sum of £74,988. The buildings and plant have been maintained in good repair out of revenue.

The capital amortisation fund now stands at £428,190, representing to-day's surrender value of our policies with the Sun Life Assurance Company for the redemption of the first debenture stock.

You will notice a new item, war contingency reserve—£50,000, which takes the place of the special reserve account for like amount figuring in our previous balance-sheet, a sum which had been set aside in 1937 under exceptional circumstances to meet abnormal conditions. These have now arisen, and we have to envisage the possible depreciation of assets in subsidiary companies situated in territory at present occupied by the enemy.

We have made full provision to cover floating assets, viz., stocks and debts in enemy and enemy-occupied territory, but we think it a wise precaution to earmark the above sum of £50,000 in case of damage or prejudice to the fixed assets so situated, and are of opinion that the aforesaid sum should prove full cover for the land, plant and buildings involved.

The next item, taxation reserve, £276,511, amply covers the company's liability to British taxation. While a growing and heavy burden, we must, however, consider ourselves fortunate in earning the profit shown and contributing our share to the sinews of war until British victory is assured.

Turning to the assets side of the balance-sheet you will find a number of slight variations accounted for by trade exigencies. The principal item to show an increase is that of stock at mines, factories, warehouses, etc., which is up by £170,000. A proportion of this is accounted for by the increased costs of freight

and war risk insurance, but the main cause is the necessity under present conditions of carrying far larger stocks of both crude and refined material, distributed over a number of strategic points to ensure under all circumstances regular supplies to our customers. These stocks are taken at cost or under and consist of material in current demand. The increase represents a necessary and wise precaution in our business interests.

In common with other trading concerns, we have had to face increasing difficulties during the past year, but the diversity and elasticity of our trade has again been proved in the steady demand from the many industries dependent upon us, as also by the application of our products in several new directions.

BORAX IN AGRICULTURE

With regard to agriculture, the closing of several continental markets, which had shown great promise prior to the war, has delayed what might have proved a notable increase in the world sales for this purpose. There is scope for a better appreciation of the value of Boron as a plant food and of the need for its inclusion in properly balanced fertilisers as distinct from its unquestioned utility to cure specific Boron-deficiency diseases. The United States and Canada have given a lead in this direction and the outlook continues very promising.

Regarding our investment in the United States Potash Company, the mines continue to develop in a most satisfactory way, and the business is growing in strength under the same enterprising but prudent management. While present conditions prevail that company will play a more and more prominent part in the supply of a vital fertiliser to meet their domestic requirements. The investment, which to-day yields a very satisfactory return, should further increase steadily in value as that business develops.

THE CURRENT YEAR

The conditions are too obscure to hazard any prediction. It must be borne in mind that the past year's accounts include eight months of trading with certain countries not then occupied by the enemy. We have since had to deal with more restricted markets, and trade conditions are necessarily dependent upon current events. So far as practicable we are endeavouring to lighten the calls for shipping space on this country by supplying direct from our American factory to a number of overseas markets. Suffice it to say that for the five months since September 30th our general trade has continued satisfactory. The stocks of our products in enemy and enemy-occupied countries must be so depleted that directly the war is over and the work of restoration starts we anticipate being called to meet large immediate requirements and to restore the substantial reserve stocks normally held by our former buyers.

Prices for refined material were advanced in December, 1939, and June, 1940, to cover a proportion of the increased costs incurred mainly through higher ocean freights and war risk insurance.

One of our managing directors, Mr F. Lesser, will be leaving very shortly in connection with our interests in the United States and South America.

Our staff War Savings group, which was instituted in the early days of the savings campaign, is being supported 100 per cent. at our head office and is receiving substantial and increasing support from the workers in the factory.

The report was unanimously adopted, and it was agreed to place the sum of £5,000 at Lord Beaverbrook's disposal for the purchase of a "Spitfire" in token of the magnificent services which the R.A.F. have rendered.

MANCHESTER SHIP CANAL COMPANY

SATISFACTORY REVENUE POSITION

The annual meeting of shareholders in the Manchester Ship Canal Company was held, on the 28th ultimo, in Manchester.

Sir Frederick J. West, who presided, in the course of his speech, said:—

The dividends your board recommend are the same as those paid last year, namely, 3½ per cent. on the Manchester Ship Canal Corporation 3½ per centum preference stock, 3 per cent. on the preference shares, 1½ per cent. on the ordinary shares. The net revenue for the year was £869,462.

Expenditure on Ship Canal, Bridgewater Canals, and railways totals £1,326,670, which is less than it would have been had we been able to effect renewals and carry out repairs on the basis of a normal year. In order that the accounts should not show a false position in this respect, and to enable us to provide for the carrying out of necessary work at a future date without burdening that period with the cost, we have provided an amount of £125,000 in these accounts under the heading of "deferred maintenance."

Whilst this is a policy which will commend itself to shareholders on the grounds of prudence alone, the course adopted is one which is essential if the company is to benefit in its excess profits computation from the allowance granted for deferred repairs and renewals—it being made a condition of such allowance that the amounts claimed be reserved out of current profits and eventually applied in making good the deferred maintenance.

Shareholders will be glad to know that if the full amount of this reserve is allowed in the Excess Profits Tax computation, the effect will be to cancel out the charge against revenue, leaving the balance available for dividends unchanged.

WAR DAMAGE COMPENSATION

The War Damage Bill is the measure at present being considered by Parliament to provide compensation for damage to property caused by enemy action. Whilst the rate of premium indicated for movable assets applies to the company, the contributions payable and the basis of compensation for buildings and immovable property belonging to public utility undertakings (amongst which your company ranks) are to be the subject of separate legislation.

For this reason and because amendments may be made in the Bill before it becomes law, it is not possible to assess the company's actual liability. Thus, the provision of £50,000 shown in the accounts under the heading of "miscellaneous charges" can only be considered as forming the nucleus of a reserve against which contributions payable will be charged, and which will be subject to adjustment when the actual liability is known.

SUBSTANTIAL TAXATION PROVISION

Shareholders will have noticed the substantial amount—£245,000—which has had to be provided under this heading. This covers the estimated liability for income tax and Excess Profits Tax. The latter represents, on average, an effective liability of 90 per cent. for the year 1940, as the duty was 60 per cent. for the first three months and 100 per cent. for the remaining nine months of the year. It will, unless some change is made, be at the rate of 100 per cent. for the year 1941.

Many chairmen of large undertakings have already referred to the desirability of a reduction in order to provide a reserve the better to face the many problems of post-war reconstruction. For my own part, I would associate myself with the views addressed to the Chancellor of the Exchequer by the Federation of British Industries, urging a reduction to 80 per cent., with the proviso that the balance must be retained in the business or applied to such purposes as may be approved by the Treasury.

This brings me to the end of my remarks affecting the revenue position of the company, which I feel sure you will agree must be regarded as satisfactory.

Whilst we have had new problems to deal with and exceptional expenditure to face, we are continuing the policy we have followed for some years—that of looking ahead in order to strengthen the position of the undertaking—a policy which is of the utmost importance in view of the uncertainties of the future. The report was adopted.

KILLINGHALL TIN LIMITED

INCREASED DIVIDEND

The eleventh annual general meeting of Killinghall Tin Limited was held, on the 28th ultimo, in Oxford.

Mr W. Arthur Addinsell, the chairman, said in the course of his address: Current assets total £62,646, against liabilities of £5,419 only. The net profit amounted to £32,858 (as against £13,762 for the previous year) after payment of £14,022 in royalty to the F.M.S. Government.

While the year's results can be regarded as satisfactory, it is a matter for regret that the dredge was working in low-grade ground and the output of ore was insufficient to utilise the whole of the quota available. We were, however, fortunate in securing £4,788 for the surplus rights.

When the quota release was raised to 100 per cent. rights became unsaleable and part of our quota had to be surrendered. Happily there has been an improvement in ground values in recent months. I anticipate the results for the quarter ending March 31st next will show an appreciable advance.

It is gratifying to recommend a final dividend which will make 20 per cent. for the year, compared with 5 per cent. in the previous year. Your directors consider it prudent to place £3,500 to taxation reserve, and to write off £665, the expenses of acquiring a sub-lease over an additional 104 acres in 1938, of which £654 was paid to the F.M.S. Government for premium and survey fees.

The tin-producing industry is passing through a period of prosperity which we all realise results from abnormal conditions, and no one can foreshadow how long this state of affairs will continue. We can, however, derive satisfaction that from the profits earned substantial contributions are being made to the Empire's war effort by way of taxation.

The report and accounts were unanimously adopted.

PADANG LANGKAT RUBBER ESTATES, LIMITED

IMPROVED PRICES REALISED

The eighth ordinary general meeting of this company was held, on the 4th instant, in London.

The chairman, in the course of moving the adoption of the report and accounts, said: The quantity of rubber which the company was permitted to export for the period covered by the accounts was 1,334,128 lb., a considerable increase compared with the exportable allowance of 821,836 lb. for the previous financial year. The crop harvested for the season was 1,124,000 lb. and the unexportable stock at the close of the financial year was 245,530 lb., compared with the rather heavy stock of 455,658 lb. brought forward at the close of the previous season, which had been built up during the period of low releases. Your directors decided to reduce stocks in view of the larger exportable releases permitted. The unexportable stock of 245,530 lb. has been taken into account at estate cost. The average gross sale price realised was 11.18d. per pound, which compares with 8.27d. per pound in the previous year. The estate expenditure amounted to £21,835 on the production of 1,124,000 lb. rubber, compared with expenditure of £15,808 in relation to the production of 969,000 lb. of rubber in the previous year. The result of the year's working is a profit of £24,796. The board recommends the payment of a dividend of 7½ per cent., less income-tax.

The condition of the estates is reported to be satisfactory. Our replanting programme proceeds steadily; 572 acres have been replanted and a further 215 acres have been put in hand for replanting during the current financial year.

The report and accounts were unanimously adopted.

Every year many hundreds of Companies publish Reports of their Annual General Meetings in *The Economist*, thereby reaching thousands of investors in the quiet of their own homes. In time of war the value of this practice is greatly enhanced because *The Economist* provides valuable information which is not otherwise available to investors, who therefore read it more carefully than ever.

Full particulars of the charges for inserting these reports may be obtained on application to The Reporting Manager, *The Economist*, 8 Boulevard Street, E.C.4.

CURRENT STATISTICS

Finance

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1940, to March 1, 1941, are:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	3,434,256	Ord. Revenue	1,229,880
Inc. in balances	150	Gross, borr.	2,223,365
Misc. issues (net)	7,746	Less—	
		Sinking fds.	11,093
		Net borrowing	2,212,272
	3,442,152		3,442,152

FLOATING DEBT

(£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits	Total Floating Debt
	Tender	Tap	Public Dept.	Bank of England		
1940						
Mar. 2	791.0	651.0	54.1	...	...	1496.1
Nov. 23	845.0	...	...	...	...	...
Dec. 7	845.0	1238.6	87.5	...	...	2440.5
Dec. 14	845.0	...	...	...	...	...
" 21	845.0	...	...	...	...	...
" 31	2151.8	...	86.0	50.5	338.0	2626.3
1941						
Jan. 11	845.0	...	...	...	...	...
" 18	845.0	...	...	...	...	...
" 25	845.0	1840.7	96.1	...	366.0	2647.7
Feb. 1	845.0	...	...	...	...	...
" 8	845.0	...	...	...	...	...
" 15	845.0	...	...	...	...	...
" 22	845.0	1369.4	165.5	...	355.0	2734.9
Mar. 1	845.0	...	...	...	...	...

TREASURY BILLS

(£ millions)

Date of Tender	Amount			Per Cent. Allotted at Min. Rate
	Offered for	Applied	Allotted	
1940				
Mar. 1	55.0	108.2	50.0	20 4.81
Nov. 22	65.0	131.8	65.0	20 4.15
" 28	65.0	152.2	65.0	20 5.23
Dec. 6	65.0	140.7	65.0	20 1.99
" 13	65.0	144.0	65.0	20 1.25
" 20	65.0	130.8	65.0	20 2.15
" 27	65.0	143.8	65.0	20 1.62
1941				
Jan. 3	65.0	133.3	65.0	20 2.03
" 10	65.0	134.7	65.0	20 2.01
" 17	65.0	146.0	65.0	20 1.28
" 24	65.0	139.4	65.0	20 4.04
" 31	65.0	150.7	65.0	20 2.84
Feb. 7	65.0	149.4	65.0	20 3.39
" 14	65.0	142.5	65.0	20 4.23
" 21	65.0	139.1	65.0	20 4.43
" 28	65.0	130.5	65.0	20 3.43

On February 28th applications at £99 14s. 10d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted at about 15 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 March 7th. For the week ending March 8th the banks will be asked for Treasury deposits to the maximum amount of £20 million.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

(£ thousands)		(£ thousands)	
Week ended	N.S.C.	3% Def. Bonds	2½% New Bonds
Jan. 28	2,929	2,872	48
Feb. 4	3,727	3,316	46
" 11	4,407	3,651	130
" 18	4,273	3,870	25
" 25	4,602	4,061	47
Mar. 4	...	...	8
Totals	233,368*	230,030*	444,417†
to date	102,765‡	57,513§	...

* 66 weeks. † 37 weeks. § 9 weeks. Interest free loans received by the Treasury up to March 4th amounted to a total value of £28,890,356. Up to February 22nd, principal of Savings Certificates to the amount of £30,072,000 had been repaid.

BANK OF ENGLAND RETURNS

MARCH 5, 1941

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt	11,015,100
In Circul.	607,278,567	Other Govt. Securities	615,936,656
In Bank. Department	22,963,008	Other Secs.	3,037,399
		Silver Coin	10,845
		Amt. of Fid. Issue	630,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,575
			630,241,575

BANKING DEPARTMENT

£		£	
Props. Capital	14,553,000	Govt. Secs.	157,842,889
Res.	3,528,798	Other Secs.	5,985,098
Public Deps.*	11,737,027	Discs., etc.	20,830,743
			26,816,770
Other Deps.:		Notes	22,963,008
Bankers	125,381,534	Gold & Silver Coin	1,308,045
Other Accts.	53,729,302		208,929,661
	179,110,836		
	208,929,661		

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

THE WEEK'S CHANGES

(£ thousands)

Both Departments		Compared with	
	Mar. 5, 1941	Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	607,278	+ 4,030	+ 72,982
Deposits: Public	11,737	+ 2,898	+ 10,761
Bankers	125,382	+ 3,660	+ 3,517
Others	53,729	+ 712	+ 13,914
Total outside liabilities	798,127	+ 5,504	+ 72,019
Capital and rest	18,082	+ 11	+ 70
COMBINED ASSETS			
Govt. debt & securities†	784,795	+ 1,887	+ 72,525
Discounts and advances	5,985	+ 2,262	+ 2,948
Other securities	23,868	+ 1,933	+ 3,274
Silver coin in issue dept.	11	+ 3	+ 497
Coin and gold bullion...	1,550	+ 71	+ 246
RESERVES			
Res. of notes and coin in bankdept.	24,271	+ 4,101	+ 22,736
"Proportion" (reserve to outside liabilities in Bankg. dept.)	12.7%	+ 2.2%	+ 12.7%

COMPARATIVE ANALYSIS

(£ millions)

	1940		1941	
	Mar. 6	Feb. 19	Feb. 26	Mar. 5
Issue Dept.:				
Notes in circulation	534.3	601.5	603.2	607.3
Notes in banking department	45.9	28.8	27.0	23.0
Government debt and securities†	575.0	626.8	627.0	627.0
Other securities	4.5	3.2	3.0	3.0
Silver coin	0.5	0.0	0.0	0.0
Gold, valued at s. per fine oz.	168.0	168.0	168.0	168.0
Deposits:				
Public	22.5	31.8	14.6	11.7
Bankers	128.0	103.5	121.7	126.4
Others	40.4	52.4	53.0	63.7
Total	191.8	187.7	189.3	190.8
Banking Dept. Secs.:				
Government	137.3	152.1	156.4	157.8
Discounts, etc.	3.0	3.8	3.7	6.0
Other	22.7	19.7	19.0	20.8
Total	163.0	175.6	179.1	184.6
Banking depart. res.	47.0	30.0	28.4	24.3
"Proportion"	24.5	16.0	14.9	12.7

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

GOVERNMENT RETURNS

For the week ended March 1st, 1941, total ordinary revenue was £46,577,000, against ordinary expenditure of £77,350,000 and issues to sinking funds of £145,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £2,215,469,000 against £656,468,000 (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 Mar. 2, 1940	Apr. 1, 1940, to Mar. 1, 1941	Week ended Mar. 2, 1940	Week ended Mar. 1, 1941
ORDINARY REVENUE					
Income Tax	510,500	346,774	456,260	22,081	25,802
Sur-tax	83,000	56,980	64,897	2,240	3,020
Estate, etc.	86,100	69,750	70,577	1,820	1,303
Duties	19,000	15,300	12,218	110	110
Stamps	70,000	24,520	21,525	500	520
N.D.C.	...	...	59,883	...	1,581
E.P.T.	...	...	...	...	...
Other Inland Revenue	1,000	1,200	699	60	10
Total In. Rev.	769,000	514,614	686,068	27,711	32,346
Customs	309,350	238,993	278,062	4,763	4,038
Excise	213,550	127,267	191,377	1,137	13,577
Total Customs and Excise	522,900	366,260	469,439	5,900	17,615
Motor Duties P.O. (Net Receipts)	35,000	33,164	37,356	108	...
Crown Lands	13,291	7,054	8,000	Dr800	Dr1,850
Receipts from Sundry Loans	1,150	1,210	1,050	80	70
Misc. Receipts	5,000	4,851	1,893	...	1
Total	13,250	16,167	25,174	200	349
Total Ordinary Revenue	1,300,101	943,320	1,229,880	33,199	43,531
SELF-BAL. Post Office & Broadcasting	86,422	73,996	83,100	2,400	4,000
Total	1,446,613	1,017,316	1,312,980	35,599	52,531

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Esti- mate, 1940-41	Apr. 1, 1939, to Mar. 2, 1940	Apr. 1, 1940, to Mar. 1, 1941	Week ended Mar. 2, 1940	Week ended Mar. 1, 1941
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	230,000	218,344	219,649	3,455	296
Payments to N. Ireland	9,400	7,788	7,957	...	614
Other Cons. Fund Serv.	7,600	6,746	7,063	20	11
Total	247,000	232,878	234,669	3,475	921
Supply Serv.	3736125	1356398	3199587	51526	88,358
Total Ord. Expenditure SELF-BAL.	3983125	1589276	3434256	55001	89,279
Post Office & Broadcasting	86,422	73,996	83,100	2,400	4,000
Total	4069547	1663272	3517356	57401	93,279
The 1939 figures include expenditure out of defence loans					

OVERSEAS BANK RETURNS

NOTE—The latest returns of the Bank of Finland appeared in "The Economist" of Dec. 9th, 1939; Norway, of Apr. 13th, 1940; Denmark, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Switzerland, of June 15th; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Jugoslavia, of Jan. 25; Roumania, of Feb. 8th; Egypt, Greece, Reichsbank, International Settlements, of Feb. 15th; Bulgaria, Roumania and South Africa, of Feb. 22nd; Australia, Canada, Sweden and Prague, of Mar. 1st.

U.S. FEDERAL RESERVE BANKS

Million \$'s	Feb. 28, 1940	Feb. 13, 1941	Feb. 27, 1941	Feb. 27, 1941
12 U.S.F.R. BANKS	1940	1941	1941	1941
RESOURCES				
Gold Certifs. on hand and due from Treas.	15,794	19,903	19,903	19,903
Total reserves	16,171	20,558	20,558	20,558
Total cash reserves	307	345	339	338
Total U.S. Govt. secs.	2,477	2,184	2,184	2,184
Total bills and secs.	2,495	2,195	2,194	2,195
Total resources	19,432	23,363	23,363	23,476
LIABILITIES				
F.R. notes in circ.	4,859	5,931	5,943	5,977
Excess r.r. bank res.	5,090	6,330	6,440	6,540
Mr. banks res. dep.	12,318	16,371	14,921	14,175
Govt. deposits	561	622	479	368
Total deposits	18,623	16,330	16,285	16,294
Total liabilities	19,432	23,363	23,369	23,476
Reserve ratio	87.5%	91.0%	91.1%	91.2%
BANKS AND TREASURY:				
RESOURCES				
Monetary gold stock	18,166	22,130	22,140	22,179
Treas. and bk. currency	2,980	3,100	3,102	3,101
LIABILITIES				
Money in circulation	7,439	8,665	8,688	8,725
Treas. cash and dep.	2,935	2,834	2,701	2,572

FEDERAL RESERVE REPORTING MEMBER BANKS—Million \$'s

ASSETS	Jan. 24, 1940	Jan. 8, 1941	Jan. 15, 1941	Jan. 22, 1941
Loans, total	8,530	9,298	9,280	9,287
Investments	14,947	16,310	16,389	16,397
Reserve with F.R. bks.	10,245	11,975	12,143	12,171
Due from domestic bks.	3,074	3,368	3,475	3,420
LIABILITIES				
Deposits: Demand	19,163	22,481	22,703	22,898
Time	5,254	5,419	5,468	5,427
U.S. Govt.	576	471	372	284
Inter-bank	8,809	9,778	9,895	9,826

CENTRAL BANK OF ARGENTINA

Million paper pesos	Dec. 15, 1939	Nov. 15, 1940	Nov. 15, 1940	Dec. 15, 1940
ASSETS				
Gold at home	1,224	1,006	1,071	1,071
Other gold and for. exch.	173	241	253	257
Non-int. Govt. bonds	119	119	119	119
Treasury bonds	396	395	395	395
Notes in circulation	1,153	1,164	1,173	1,180
Deposits: Government	218	118	131	129
Banks	430	429	460	457
Certs. of participation	100	180	113	119
Reserve ratio	77.3%	78.0%	74.0%	75.0%

BANK OF JAPAN

Million yen	Jan. 13, 1940	Dec. 21, 1940	Jan. 11, 1941	Jan. 18, 1941
ASSETS				
Coin & Bullion: Gold	501.3	501.3	501.3	501.3
Other	37.0	14.0	15.2	16.4
Foreign exch. fund	300.0	300.0	300.0	300.0
Discounts and advances	692.6	440.1	461.7	393.7
Government bonds	2385.9	4071.7	3629.5	2840.2
Agencies' accounts	216.7	374.0	301.9	310.4
LIABILITIES				
Notes issued	2968.9	4133.9	4030.7	3885.8
Deposits: Government	843.5	1158.2	805.4	1062.0
Other	93.1	111.0	102.4	184.6

NATIONAL BANK OF HUNGARY

Million pengős	Jan. 7, 1940	Oct. 15, 1940	Nov. 15, 1940	Nov. 23, 1940
ASSETS				
Metal Reserve:				
Gold coin and bullion	124.1	124.1	124.1	124.1
Foreign exchange	76.5	41.5	40.8	37.5
Int. bills, wts., & secs.	592.8	780.1	607.2	698.8
Advances to Treasury	312.1	503.1	572.4	572.4
LIABILITIES				
Notes in circulation	931.6	1320.6	1304.7	1270.8
Sight liabilities	198.3	178.5	207.2	230.6
Cash certificates	93.5	86.8	86.8	86.8

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s	Jan. 15, 1940	Dec. 23, 1940	Jan. 13, 1941	Jan. 20, 1941
ASSETS				
Gold and stg. exch.	9.67	12.10	12.60	14.07
Advances to State	24.20	28.86	27.63	26.86
Investments	3.04	5.77	3.77	3.77
LIABILITIES				
Bank Notes	18.72	22.33	22.77	22.12
Demand liabls.: State	3.06	6.89	6.01	6.46
Banks and others	13.17	12.31	13.96	14.64
Reserves to sight liabls.	27.6%	29.2%	29.4%	32.5%

RESERVE BANK OF INDIA

Million rupees	Feb. 23, 1940	Feb. 7, 1941	Feb. 14, 1941	Feb. 21, 1941
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	583	306	308	317
Balances abroad	201	639	659	663
Sterling securities	1,135	1,405	1,405	1,405
Indian Gov. rupee secs.	384	496	496	496
Investments	86	70	70	70
LIABILITIES				
Notes in circ.: India	2,249	2,351	2,352	2,326
Burma	146	162	168	171
Deposits: Govts.	198	235	272	288
Banks	172	469	443	469
Reserve ratio	62.0%	69.8%	69.7%	69.6%

BANK OF PORTUGAL

Million escudos	Nov. 27, 1940	Dec. 4, 1940	Dec. 11, 1940	Dec. 18, 1940
ASSETS				
Gold	1231.8	1232.3	1232.3	1232.4
Balances abroad	820.4	821.5	826.5	830.2
Discounts	412.8	405.3	394.1	386.5
Securities	278.4	278.3	278.3	278.3
LIABILITIES				
Notes in circulation	2768.0	2825.2	2784.4	2785.6
Deposits: Government	236.3	184.5	203.5	164.6
Bankers'	855.9	824.3	844.7	916.0
Other	142.5	170.4	170.8	173.5
Foreign commitments	255.3	255.3	255.3	255.6

CENTRAL BANK OF TURKEY

Million Turkish pounds	Dec. 10, 1939	Nov. 30, 1940	Nov. 7, 1940	Dec. 14, 1940
ASSETS				
Gold	1939	1940	1940	1940
Clearing and other exch.	35.9	108.7	108.7	108.9
Treasury bonds	10.8	29.2	29.3	31.0
Commercial bills	140.8	139.0	139.0	138.8
Securities	208.9	258.2	258.2	259.5
Advances	58.1	55.3	55.5	55.4
LIABILITIES				
Notes in circulation	296.8	400.0	408.0	409.8
Deposits	23.3	155.7	147.2	152.1
Clearing & other exch.	46.3	34.6	35.2	35.9

MONEY MARKET STATISTICS

EXCHANGE RATES

The following rates fixed by the Bank of England remained unchanged between February 27th and March 5th. (Figures in brackets are par of exchange.)
United States. \$ (4.862) 4.024-034; mail transfers 4.024-034. **Canada.** \$ (1.368) 4.43-47; mail transfers 4.43-47. **Switzerland.** Francs (26.23) 17-30-40. **Sweden.** Krona (18.169) 16-85-95. **Argentina.** Peso (11.45) 16-95-17-13; mail transfers 16-95-17-15. **Dutch East Indies.** Florin (12.11) 7-58-02; mail transfers 7-58-04. **Dutch West Indies.** Florin 7-58-02; mail transfers 7-58-04. **Belgian Congo.** Francs 170-1. **Portugal.** Escudos (110) 90-80-100-20. **Panama.** \$ 4.02-04; mail transfers 4.02-04. **Manila.** Pesos 8-00-12; mail transfers 8-09-13.

Rates Fixed for Payment at Bank of England for Clearing Offices
Spain. Peseta (25-224) 40-50 (Official rate); 46-55 (Voluntary rate). **Turkey.** £T (1.16) 5-20.

Market Rates

The following rates remained unchanged between February 27th and March 5th:—
Greece. Drachma (375) 515 sellers. **Finland.** Mark (193-23) 180-210. **Egypt.** Piastres (974) 974. **India.** Rupee (18d. per rupee) 17½-18½. **Hongkong.** 14½-15d. per \$ Japan. Yen (24.58d. per yen) 13½-14½. **Yugoslavia.** Dinar (276-32) 155 sellers; trade payments 200. **Bulgaria.** Leva (673-66) 315 sellers. **Singapore.** \$ (23d. per \$) 23½-24. **Colombia.** Peso 6 (nominal). **Shanghai.** 3½-4d. per \$.

SPECIAL ACCOUNTS are in force for the following countries and no rate of exchange is accordingly quoted in London: Hungary, Turkey, Brazil, Chile, Uruguay and Peru.

Forward Rates

Forward rates for one month have remained unchanged as follows:—**United States.** 2 cent pm-par. **Canada.** 1 cent pm-par. **Switzerland.** 3 cents pm-par. **Sweden.** 3 ore pm-par. **Dutch East Indies.** 1½ cents pm-par.

NEW YORK EXCHANGE RATES

New York on	Feb. 26, 1941	Feb. 27, 1941	Feb. 28, 1941	Mar. 1, 1941	Mar. 3, 1941	Mar. 4, 1941
London:—						
Cables	403½	403½	403½	403½	403½	403½
Switzerland, Fr.	23-32(b)	23-30(b)	23-30(b)	23-30(b)	23-31(b)	23-30(b)
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. \$	85-180	85-080	85-080	85-025	85-500	85-500
Japan, Yen	23-45	23-45	23-45	23-45	23-45	23-45
Shanghai, \$	48(a)	48(a)	48(a)	48(a)	48(a)	48(a)
B. Africa, Pso (mkt. rate)	5-67	5-72	5-72	5-72	5-64	5-62
Brazil, Milreis	23-65½	23-55½	23-45½	23-35½	23-10½	23-00½
	5-05	5-05	5-05	5-05	5-05	5-05

½ Official buying rate 29-78. (a) Offered. (b) Free Rate. (c) Nominal.

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended		Aggregate January 1 to			Week ended		Aggregate January 1 to	
	Mar. 2, 1940	Mar. 1, 1941	Mar. 1940	Mar. 1, 1941		Mar. 2, 1940	Mar. 1, 1941	Mar. 1940	Mar. 1, 1941
Working days:—	6		53		Newcastle	1,666	1,233	13,837	12,385
Birm'ham	2,497	2,076	21,904	20,517	Nottingham	514	391	4,453	4,488
Bradford	2,337	3,225	14,157	19,651	Sheffield	877	723	7,305	5,328
Bristol	1,790	2,011	14,759	16,577	10 Towns	31,138	29,894	252,008	246,737
Hull	925	709	8,308	6,197					
Leicester	757	937	7,190	7,760	Dublin* ...	5,032	5,342	52,916	50,695
Liverpool	6,378	6,119	55,361	49,118	So'th'pton†	127	...	...	948
Manch'ter	13,397	12,420	104,629	104,721					

MONEY RATES, LONDON.

The following rates remained unchanged between Feb. 27th and Mar. 5th:—
Bank rate, 2% (changed from 3% October 26th, 1939). **Discount rates:** Bank Bills, 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%. **Treasury bills:** 2 months, 1-1½%; 3 months, 1½%. **Day-to-day money,** 1-1½%. **Short loans,** 1-1½%. **Bank deposit rates,** 1%. **Discount deposits at call,** 1%; at notice 1%.

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
 Feb. 27..... 23½ 23½ Mar. 4..... 23½ 23½
 Feb. 28..... 23½ 23½ Mar. 5..... 23½ 23½
 Mar. 3..... 23½ 23½

COMMODITY-SECURITY PRICES

In view of the need to economise paper, the tables showing the prices of important commodities in Great Britain and in the United States, and of active securities on the London Stock Exchange, will in future be published in alternate weeks.

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		£	£	£	£	£	£	%	£	£	£	%	
Mooney (J. G.) & Co.	Dec. 31	13,017	...	6,260	22,098	900	9,000	10	...	- 3,640	18,304	10,591	10
Electric Lighting, etc.													
Midland Counties Electric	Dec. 31	365,400	...	305,780	322,134	93,438	138,000	8	70,000	+ 4,342	396,976	334,252	8
Financial, Land, etc.													
Pty. & Reversionary Inv.	Dec. 31	54,368	870	3,021	12,203	2,344	...	...	...	+ 677	68,373	13,078	6
Sudan Plantations	June 30	714,420	5,216	299,122	761,571	...	198,000	8	100,000	+ 1,122	555,321	279,912	8
Gas													
Gloucester Gas Light	Dec. 31	49,878	...	15,272	30,135	...	14,135	5½	Dr. 290	+ 1,427	42,656	14,048	5½
Sheffield Gas	Dec. 31	478,247	30,000	114,835	210,884	...	90,317	6½	...	+ 24,518	457,764	113,353	6½
York Gas	Dec. 31	49,528	...	11,886	19,932	1,150	10,637	5	...	+ 99	43,283	21,084	5
Iron, Coal and Steel													
Ply. Coal Co.	Dec. 31	189,620	...	189,620	320,647	12,012	97,952	8½	75,000	+ 4,658	205,691	205,691	9
Lanarkshire Steel	Dec. 31	161,857	25,000	29,631	130,223	9,487	13,297	12½	20,000	- 13,153	147,793	40,359	12½
Lloyd (Richard) Co.	Dec. 31	67,475	...	15,125	23,330	1,088	8,625	20	10,000	- 4,588	59,887	17,323	20
Partington Steel & Iron	June 30	131,084	...	12,827	Dr. 36,172	...	...	...	...	+ 13,827	131,207	6,746	NH
Pearson & Knowles	June 30	57,377	...	10,512	Dr. 462,419	...	...	...	...	+ 10,512	56,053	4,124	NH
Oil													
Anglo-Ecuadorian Oil	June 30	362,057	134,029	215,455	312,503	...	150,000	10	50,000	+ 15,455	297,201	168,106	10
Rubber													
Tambora	June 30	38,449	...	1,264	5,798	...	5,028	5	...	- 3,764	10,189	292	NH
United Serang (Sumatra)	Dec. 31	203,536	25,000	131,108	225,682	...	128,095	9	...	+ 3,013	122,349	71,198	5
Shops and Stores													
Darnell (J.) & Son	Dec. 31	35,484	1,271	15,063	23,257	...	11,500	10	5,000	- 1,437	37,525	21,144	10
Evans (D. H.) & Co.	Jan. 31	345,372	25,721	80,883	112,296	12,000	63,090	7	7,988	- 1,505	440,897	114,029	10
Greenlees & Sons	Dec. 28	88,738	12,340	64,690	84,080	18,750	27,000	10	20,000	- 1,090	86,750	61,017	10
Shipping													
British Oil Shipping	Dec. 31	77,696	12,000	25,047	60,705	...	24,600	20(a)	...	+ 438	40,338	19,893	20(a)
Textiles													
Hart & Levy	Oct. 31	69,003	9,177	19,728	19,728	(c)12,420	...	...	...	+ 7,308	681	Dr. 8,423	NH
Heath (G. H.) & Co.	Dec. 31	48,936	18,594	29,852	54,736	9,000	22,500	15	...	+ 1,848	92,908	72,343	15
Jackson & Steeple	Dec. 28	31,779	1,917	15,562	18,951	...	9,056	15	5,000	+ 5,360	5,360	2,727	22
Lister & Co.	Nov. 30	347,459	...	124,864	129,095	(b)90,000	2	2	...	+ 6,504	105,789	78,822	NH
Wolsey, Ltd.	Dec. 31	185,375	39,914	72,396	109,955	32,344	19,408	41(d)	20,000	+ 646	191,897	60,201	21(d)
Woolcombers Ltd.	Dec. 31	105,343	...	96,240	179,580	15,750	85,000	21(e)	...	- 410	153,258	106,895	21(e)
Truets													
London Stockholders Inv.	Dec. 31	36,210	...	17,342	27,821	9,000	5,400	2	2,000	+ 42	32,794	15,670	2
Premier Investment	Jan. 31	137,920	...	54,913	54,913	45,000	12,000	2	Dr. 2,687	- 1,285	139,077	57,000	2
Scottish Central Invest.	Jan. 15	104,092	...	29,402	53,372	17,500	8,167	3½	...	+ 5,000	102,455	32,519	3½
Second Scottish American	Feb. 1	97,028	...	36,713	48,692	25,500	25,500	20	6,000	+ 163	96,907	39,995	20
Union Commercial Inv.	Jan. 31	41,988	...	24,027	28,244	22,500	4,500	11	...	- 2,973	42,835	23,672	11
Winterbottom Trust	Dec. 15	44,729	...	22,959	46,093	17,531	...	...	5,000	+ 428	41,882	24,787	NH
Waterworks													
Bristol Waterworks	Dec. 31	233,946	...	179,753	230,525	68,002	77,734	6½	28,000	+ 6,017	229,458	167,629	6½
Newcastle	Feb. 1	252,550	...	158,112	276,797	75,282	76,170	9 6½(a)	10,000	- 3,320	266,438	158,394	9 6½(a)
Other Companies													
Beans Industries, Ltd.	Nov. 30	54,832	...	50,892	70,463	3,163	22,063	37½	25,000	+ 706	124,811	58,911	37½
Cerril, Ltd.	Dec. 31	282,145	15,035	263,800	347,559	78,750	155,000	7½ & 8	30,000	+ 110	303,345	238,597	7½ & 8
City Safe Deposit & Agncy.	Dec. 31	4,003	...	4,003	9,806	1,300	1,875	7	1,000	- 172	4,988	4,988	15
Elephant Trading (S.A.)	Dec. 31	104,001	...	43,042	43,042	16,500	43,200	12	...	+ 14,115	88,608	82,008	NH
Georwich Ltd.	Aug. 31	20,882	...	11,024	4,117	4,500	...	...	...	+ 6,524	Dr. 6,160	...	NH
Gossard, Ltd.	Nov. 30	120,882	2,629	7,401	9,587	2,796	4,657	6	...	- 198	109,727	24,027	6
Kassala Cotton	June 30	130,179	1,120	23,802	55,653	...	24,000	8	...	+ 808	32,675	31,225	18½
Larkins (S. C.) & Sons	Dec. 31	30,189	...	28,589	64,689	2,156	20,625	11	25,000	+ 171	77,032	72,317	11
Oxtram (Geo.) & Co.	Dec. 31	85,144	...	80,592	138,721	...	3,594	5	...	- 2,172	26,032	7,661	8
Oxford Canal	Dec. 31	22,336	...	1,422	6,899	...	20,700	7½	...	+ 3,265	24,209	13,016	5
Pawsons & Leais	Dec. 27	32,385	...	23,865	56,726	...	11,079	5	...	+ 8,499	39,701	25,600	5
Robinson (Thomas) & Son	Dec. 31	47,704	8,698	5,178	8,095	...	...	...	7,000	- 1,827	55,000	3,068	NH
Smith (D.) & Sons	Aug. 31	16,556	5,131	9,173	21,520	...	10,410	8	...	- 1,327	35,080	7,319	8
Walker (J.) Goldsmith, &c.	June 30	65,243	...	9,334	17,011	(c)7,754	...	...	4,000	- 2,420	39,146	16,095	NH
Yorks. Indigo, &c. Dyers	Dec. 31	62,703	6,114	9,334	17,011	...	...	...	...	...	...	...	...
Totals (000's):						701	1,734	...	533	+ 85	5,635	2,983	...
Week to Mar. 3, 1941	48	6,265	380	3,053	4,375	6,089	25,592	...	2,536	+ 1,058	60,140	38,669	...
Jan. 1 to Mar. 3, 1941	277	63,168	2,577	35,185	54,084	...	...	...	...	...	...	...	...

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.

Prices, Year 1940			Prices, Year 1941			Name of Security	Price, Mar. 4, 1941	Ch'ge since Mar. 4, 1941	Yield Mar. 4, 1941	Prices, Year 1941			Last Two Dividends	Name of Security	Price, Mar. 4, 1941	Ch'ge since Mar. 4, 1941	Yield Mar. 4, 1941
High	Low	Year 1941 Jan. 1 to Mar. 4	High	Low	High					Low	(a)	(b)						(c)
77	82 1/2	77 1/2	76 1/2	77 1/2	76 1/2	British Funds	77 1/2	+	5 s. d.	23 1/2	20 1/2	14 b	12 1/2	Iron, Coal, &c.—cont.	21 3/4	...	6 2 0
111 1/2	108 1/2	110	110	110	110	Consols 2 1/2 %	110 1/2	+	3 1/2	22 1/2	21 1/2	15 b	7 1/2	Guest Keen & Co. Ord. £1	21 3/4	...	10 12 0
108 1/2	108 1/2	108 1/2	108 1/2	108 1/2	108 1/2	Do. 4 % (aft. 1937)	110 1/2	+	3 1/2	22 1/2	21 1/2	15 b	7 1/2	Hadfield 10/-	21 3/4	...	11 16 0
103	98 1/2	100	98 1/2	100	98 1/2	Conv. 2 % 1943-45	99	-	2 1/2	21 1/2	19 1/4	12 c	6 c	Powell Duffryn £1	21 3/4	...	3 10 3 1/2
108 1/2	108 1/2	108 1/2	108 1/2	108 1/2	108 1/2	Do. 2 1/2 % 1944-49	99	-	2 1/2	21 1/2	19 1/4	12 c	6 c	Durham Ord. £1	21 3/4	...	5 19 0
112	107 1/2	108 1/2	107 1/2	108 1/2	107 1/2	Do. 3 % 1948-53	103 1/2	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Staveley Coal, etc. £1	21 3/4	...	3 10 3 1/2
92 1/2	86 1/2	92 1/2	92 1/2	92 1/2	92 1/2	Do. 5 % 1944-64	108 1/2	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Stewart & Lloyds £1	21 3/4	...	5 19 0
95 1/2	95 1/2	95 1/2	95 1/2	95 1/2	95 1/2	Fund. 2 1/2 % 1956-61	92 1/2	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Swan, Hunter £1	21 3/4	...	7 12 0
114	105 1/2	114 1/2	111 1/2	113 1/2	111 1/2	Fund. 2 1/2 % 1952-57	98 1/2	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Un. Steel Co. Ord. £1	21 3/4	...	6 13 3
108 1/2	108 1/2	108 1/2	108 1/2	108 1/2	108 1/2	Fund. 3 % 1959-60	99 1/2	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Vickers 10/-	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Fund. 4 % 1960-90	113 1/2	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Textiles	21 3/4	...	6 13 3
108 1/2	108 1/2	108 1/2	108 1/2	108 1/2	108 1/2	Nat. D. 2 1/2 % 1942-48	107 1/2	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Brit. Celanese 10/-	21 3/4	...	6 13 3
108 1/2	108 1/2	108 1/2	108 1/2	108 1/2	108 1/2	Do. 3 % 1954-58	101 1/2	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Costa, J. & P. £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	War Bds. 2 1/2 % 1945-47	101 1/2	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Courtauld £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Do. 2 1/2 % 1948-48	100 1/2	+	3 1/2	21 1/2	19 1/4	12 c	6 c	English Swg. Ctn. £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Sav. Bds. 3 % 1955-65	100 1/2	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Lanes. Cotton Corp. £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Victory Bonds 4 %	100 1/2	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Patons & Baldwin £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	War L. 3 1/2 % 1955-59	111	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Electrical Manufact.	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	War L. 3 1/2 % aft. 1959	103 1/2	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Associated Elec. £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Local Loans 3 %	89 1/2	+	3 1/2	21 1/2	19 1/4	12 c	6 c	British Insulated £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Redemption 3 % 1986-90	94	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Callenders £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Austria 3 % 1933-53	100	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Crompton Park, A & J	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	India 2 1/2 %	74 1/2	+	3 1/2	21 1/2	19 1/4	12 c	6 c	English Electric £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Do. 3 1/2 %	98 1/2	+	3 1/2	21 1/2	19 1/4	12 c	6 c	General Electric £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Dom. & Col. Govts.	104	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Johnson & Phillips £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Austria 5 % 1945-75	104	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Gas and Electricity	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Canada 4 % 1953-58	109	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Clyde Valley Elec. £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Nigeria 5 % 1950-60	108	+	3 1/2	21 1/2	19 1/4	12 c	6 c	County of London £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	N. Zealand 5 % 1948	105	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Edmundsons £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	S. Africa 5 % 1945-75	107	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Gas Light & C. £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Corporation Stocks	100 1/2	+	3 1/2	21 1/2	19 1/4	12 c	6 c	North-East Elec. £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Brham 5 % 1948-56	100 1/2	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Northumb. Power £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	L.C.C. 3 %	87	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Scottish Power £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Liverpool 3 % 1954-64	94	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Yorkshire Electric £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Middx. 3 1/2 % 1957-62	100 1/2	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Motor and Aircraft	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Foreign Governments	80	+	3 1/2	21 1/2	19 1/4	12 c	6 c	Austin 5/-	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Argen 4 1/2 % 8 1/2 % Bds.	32	-	1 1/2	11 1/2	10 1/2	12 c	6 c	B.S.A. Ord. £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Brazil 5 % Pd. 1911	13	-	1 1/2	11 1/2	10 1/2	12 c	6 c	Bristol Aero. 10/-	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Chile 5 % (1929)	204	-	1 1/2	11 1/2	10 1/2	12 c	6 c	De Havilland Air. £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	China 5 % (1913)	804	+	1 1/2	11 1/2	10 1/2	12 c	6 c	Fairley Aviation 10/-	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Egypt Unified 4 %	154	+	1 1/2	11 1/2	10 1/2	12 c	6 c	Ford Motors £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Greek 6 % Stab. Ln.	624	+	1 1/2	11 1/2	10 1/2	12 c	6 c	Hawker Siddeley (5/-)	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Japan 5 % 1930	45	+	1 1/2	11 1/2	10 1/2	12 c	6 c	Leyland Motors £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Portuguese 3 %	213	+	1 1/2	11 1/2	10 1/2	12 c	6 c	Lucas, J. (E) £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Spanish 4 %	8 17 10	+	1 1/2	11 1/2	10 1/2	12 c	6 c	Morris Motors 5/- Ord.	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Standard Motor 5/-	18 1/2	+	1 1/2	11 1/2	10 1/2	12 c	6 c	Rolls-Royce £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Railways	10 1/2	+	1 1/2	11 1/2	10 1/2	12 c	6 c	Shipping	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	B.A. St. Shhn. Ord.	4	+	1 1/2	11 1/2	10 1/2	12 c	6 c	P. & O. Def. £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Can. Pac. Com. \$25	10 1/2	+	1 1/2	11 1/2	10 1/2	12 c	6 c	Royal Mail Lines £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Gen. Western Ord.	32 1/2	-	1 1/2	11 1/2	10 1/2	12 c	6 c	Union Castle Ord. £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Do. 5 % Cons. Pr.	86	-	1 1/2	11 1/2	10 1/2	12 c	6 c	Tea and Rubber	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	L.N.E.R. 5 % Pref. 1955	58 1/2	-	1 1/2	11 1/2	10 1/2	12 c	6 c	Allied Sumatra £1	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	Do. 4 % 1st Pf.	34 1/2	-	1 1/2	11 1/2	10 1/2	12 c	6 c	Boots Pure Drug 5/-	21 3/4	...	6 13 3
100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	L.M.S. Ord.	12	-									

One Hundred and Ninth Annual Statement The Bank of Nova Scotia

(Incorporated in Canada with limited liability)

Capital Paid up
\$12,000,000



Reserve Fund
\$24,000,000

PROFIT AND LOSS

Balance December 30th, 1939	\$ 1,174,559.85
Net profits for the year ending December 31st, 1940, after Dominion and Provincial taxes \$1,004,027.04 and after making appropriations to Contingent Accounts out of which accounts full provision for Bad and Doubtful Debts has been made	1,941,330.92
	\$ 3,115,890.77
Dividends Nos. 281, 282, 283, 284 at 3% per quarter	\$ 1,440,000.00
Contribution to Officers' Pension Fund	200,000.00
Written off Bank Premises	250,000.00
Balance carried forward December 31st, 1940	1,225,890.77
	\$ 3,115,890.77

GENERAL STATEMENT AS AT DECEMBER 31st, 1940

LIABILITIES	
Capital paid up	\$ 12,000,000.00
Reserve fund	24,000,000.00
Dividends declared and unpaid	361,916.79
Balance of profits, as per profit and loss account	1,225,890.77
Notes in circulation	\$ 8,058,969.03
Deposits by and balances due to Dominion Government	\$ 5,195,393.52
Deposits by and balances due to provincial governments	952,542.77
Deposits by the public not bearing interest	85,914,472.58
Deposits by the public bearing interest, including interest accrued to date of statement	177,577,255.77
	269,639,664.64
	\$277,698,633.67
Deposits by and balances due to other chartered banks in Canada	3,280,734.58
Deposits by and balances due to banks and banking correspondents in the United Kingdom and foreign countries	2,594,006.35
	\$283,573,374.60
Acceptances and letters of credit outstanding	6,702,680.42
Liabilities to the public not included under the foregoing heads	818,868.98
	\$328,682,731.56

ASSETS

Gold held in Canada	\$ 5.00
Subsidiary coin held in Canada	435,388.15
Gold held elsewhere	2,200.47
Subsidiary coin held elsewhere	1,147,608.86
Notes of Bank of Canada	7,381,318.25
Deposits with chartered banks	17,105,057.01
Notes of other banks	246,628.05
Deposits by banks and banking correspondents elsewhere than in Canada	6,063,792.79
	\$ 32,382,028.78
	13,594,660.69
	17,632,582.61
	\$ 63,609,272.08
Dominion and provincial government direct and guaranteed securities, maturing within two years, not exceeding market value	49,371,039.83
Other Dominion and provincial government direct and guaranteed securities not exceeding market value	58,660,425.60
Canadian municipal securities, not exceeding market value	11,111,525.91
Public securities other than Canadian, not exceeding market value	738,240.41
Other bonds, debentures and stocks, not exceeding market value	11,235,985.93
Call and short (not exceeding thirty days) loans in Canada on stocks, debentures, bonds and other securities, of a sufficient marketable value to cover	5,052,312.25
Call and short (not exceeding thirty days) loans elsewhere than in Canada on stocks, debentures, bonds and other securities, of a sufficient marketable value to cover	333,860.00
Current loans and discounts in Canada, not otherwise included, estimated loss provided for	\$200,112,662.01
Current loans and discounts elsewhere than in Canada, not otherwise included, estimated loss provided for	\$ 93,339,016.47
Loans to provincial governments	14,399,566.21
Loans to cities, towns, municipalities and school districts	799,100.12
Non-current loans, estimated loss provided for	3,828,911.95
	401,583.95
	\$112,768,178.70
Liabilities of customers under acceptances and letters of credit as per contra	6,702,680.42
Mortgages on real estate sold by the bank	82,152.26
Bank premises, at not more than cost, less amounts written off	6,114,380.34
Deposit with the Minister of Finance for the security of note circulation	449,170.88
Shares of and loans to controlled companies	2,350,000.00
Other assets not included under the foregoing heads	103,506.95
	\$328,682,731.56

J. A. McLEOD, President.

H. D. BURNS, Assistant General Manager.

Auditors' Report to the Shareholders:
We have examined the above General Statement of Liabilities and Assets as at December 31st, 1940, and compared it with the books at the Chief Office and with the certified returns from the Branches. The Bank's investments and cash on hand at the Chief Office and at the Toronto and Montreal Branches were confirmed by us at the close of business on December 31st, 1940. We have obtained all the information and explanations that we have required, and in our opinion the transactions of the Bank which have come under our notice have been within the powers of the Bank. We report that in our opinion the above statement discloses the true condition of the Bank and is as shown by the books of the Bank.

TORONTO, CANADA, 14th January, 1941.
The Bank of Nova Scotia conducts a general banking business. Fully equipped for Exchange, Collection and Letter of Credit Transactions. Particular attention is devoted to business with Canada, Newfoundland and the West Indies, where branches of the Bank have long been established—293 Branches in all.

LONDON OFFICE: 108 OLD BROAD STREET, E.C.2.

E. C. MACLEOD, Manager.

THE ECONOMIST

Vol. CXL

MARCH 22, 1941

No. 5091

CONTENTS

LEADING ARTICLES

Calling the Roll	365
The Blockade	367
Profits, Savings and Inflation	368
Conditions in the Copperbelt	369

THE WORLD OVERSEAS

Labour in the Defence Programme (United States)	376
Criticisms of the King Ministry (Canada)	377
Industry in Eire	378
The Defence of Panama	378
German Europe	379

INVESTMENT NOTES

A Sentimental Rise	383
Municipal Conversions	383
Viscose Corporation Sale	383
New High Level	383
Taxing Non-Residents	384

COMPANY NOTES

International Nickel Prospects	384
Special Steel Results	384
Further Electric Power Earnings	384
West African Goldmines	386
THE STOCK EXCHANGES	387
CAPITAL ISSUES	387
SHORTER COMMENTS	396

NOTES OF THE WEEK

Good News from America	371
The Coming of Spring	371
Taking the Strain	371
The Balkans Wait	371
The Nazis in the Middle East	372
Dollars, American and Canadian	372
Minds Across the Sea	372
Two Masters	373
Berbera Retaken	373
Clydeside Again	373
If Hitler Comes	373
Jam Yesterday, Jam To-morrow	374
The Milky Way	374
Cheap Money	374
Bricks and Mortar	374
Snacks for Soldiers	375
Working Women	375
Portland Place Under Fire	375
Shorter Notes	375

THE BUSINESS WORLD

LEADING ARTICLE

Wheat Supplies in 1940-41	380
---------------------------	-----

FINANCE AND BANKING

Large Treasury Deposit Payments	381
Treasury Bills Under 1 Per Cent.	381
Conversion Ban on the Discount Market	381
U.K. Orders in the U.S.A.	382
Chinese Exchanges	382
Mendelssohn Echoes	382
Colonial Franc Rate	382

INDUSTRY AND TRADE

Rationing of Wool Manufactures	388
Waste of Tonnage	388
Confectionery Control	388
Control of Cold Storage Industry	388
Jigs, Tools and Gauges	388
Lower Coastal Freight Rates	388
Industrial Disputes in the United States	389
U.S. Aluminium Production	389
COMMODITY AND INDUSTRY NEWS	389

COMPANY MEETINGS	390
CURRENT STATISTICS	395

Calling the Roll

"MR BEVIN Calls Up the Girls." Monday's headlines were hardly accurate. The new Registration for Employment Order will lay upon all subjects, men and women, the obligation to register for work of national importance; and within the next few weeks men of 41 and 42 and women of 20 and 21 will be summoned under the Order. But they will not be "called up." They will put down their names and experience. They will be interviewed and told of the various kinds of war work available. They will be "advised" and "given the opportunity" to join up.

The purpose, then, is to stimulate volunteering by making it plain to individuals where their duty lies. An important obstacle to volunteering hitherto, apart from material considerations, has been the disinclination of many people to believe that the appeal for volunteers could be addressed to them personally, when they were already working hard in other employments. Now, as new groups of men and women are called upon to register, this illusion—of employers as well as staffs—will be dispelled. By personal interview, it will be possible to bring applicants into touch with the posts for which they are best fitted. The new procedure, which will be operated by national service officers of the Ministry of Labour and National Service, is a wide wartime extension of the vacancy work for which the employment exchanges were set up a generation ago; and it will succeed or fail through the responsible officer's ability and insight—neither of which is normally remarkable in the ordinary vacancy officials of most exchanges. The obligation to serve is now laid upon all citizens, but the first task is to find war employment for the workers who will be made idle by

the "concentration" of civilian industries. Many of the registers after the first national ones for age-groups will be local, in districts where the staple industries have been drastically cut down.

It would not be enough, of course, simply to point out their duty to individuals and inform them of the openings for employment. It must also be made possible for them to move. Many will be set free by "concentration" in the civilian factory trades; many more could, and should, be released by similar measures in distribution, the service trades and commerce. But there are still certain material obstacles to transfer into war work. Most recruits require training; many of them will have to move to new places of work; not a few, especially women, will find their new employment unfamiliar and uncomfortable. At the training centres, Mr Bevin has announced, men who now receive 31s. or 34s. a week will start with 60s. 6d. a week and, if they pass each monthly test of their progress, they will be paid 75s. 6d. in their final four weeks; women trainees will be given 38s. a week, with the chance of rising to 47s. There will be free fares for workers taking up distant employment, and allowances for rent, rates, mortgage interest and even storage of furniture, when it is not possible to terminate existing liabilities.

Finally, an approach is to be made to establishing decent conditions of work for women. There has been an "enormous wastage" in war factories because no adjustments have been made in their methods and facilities to meet the needs of women workers; and employers are now being pressed to make changes. A great deal will depend upon the skill of factory wel-

fare officers, many more of whom should now be women; and the Minister would do well to remember that the spread between the wages of unskilled women in Government-controlled factories and the wages they can get elsewhere in civilian work is one material obstacle to voluntary recruitment which no mere welfare arrangements can dispose of.

Mr Bevin is feeling his way towards what have been called "the conditions of service"—measures to make sure that no one can benefit by remaining out of one or the other of the front lines or lose by taking the path of duty. Only by this means can the voluntary method of industrial enlistment be made to bring in the regiments required. Certain physical obstacles to recruitment would be common to any scheme, compulsory or voluntary. It is not possible for mothers to leave young families, or for low-paid workers, women and young persons to travel long distances daily to their jobs—a problem which crops up acutely when works in towns are decentralised and scattered about the surrounding countryside. But there are other obstacles, social obstacles they might be called, which are at their height in a voluntary scheme. Nor is it entirely a consciousness of class or status which inclines directors, managers, successful business men, professional people, and "intellectuals" to shrink from war service. They may have heavy financial commitments; they may be right when they claim that their abilities could be put to better use than at a lathe or in a works stores.

In principle at least, it is a virtue of the procedure by registration and interview that it will be possible to look round for square holes for square pegs. After the interview, each individual will be told whether or not he is "expected" to volunteer. If he is, he will be asked to notify the authorities when he has found work of national importance. His choice will be as free as possible, and he will be given time to make it. Even so, there will be inhibitions. The flow is likely to be sluggish, and it is hard to escape the view that further steps are needed—steps to widen the stream of volunteers by squeezing out redundant labour in still more trades and steps to remove, by a much broader system of compensation than has yet been devised, the financial bogeys which dispose a man to cling on to his business, his livelihood, his household and the maintenance of his family. They must neither be excuses for evading service nor obstacles to enlistment.

The truth is that voluntary mobilisation is only practicable in a war economy if it is made easy and attractive to enlist and correspondingly difficult and detrimental to do anything else. The "free" market for labour must be thoroughly rigged. The important point about this plan for registration is that, while the freest possible choice of jobs is preserved, it must be compulsory to make some choice, and—since time is the essence of Mr Bevin's and the nation's contract—preferably in a given time. Moreover, there must be no undue generosity. The first function of the interviews being to inform individuals whether they will be "expected" to do work of national importance, it must be taken for granted that every individual is expected to do so, unless he or she can offer proof to the contrary. Any system which sets out to discover whether the individual is better fitted for war work or for the job he already has will be a sheer waste of time and organisation. It may be assumed that poets and stockbrokers are better poets and stockbrokers than they will be war workers. Their obligation to become war workers still remains, unless it can be demonstrated that, in the calculus of the war effort, the particular poetry or stockbroking they are individually responsible for is indispensable.

In fact, the basis of the new plan must be that every individual who can be spared must be ready to go and must go when required; and it is for the State, arranging the nation's activities in order of urgency, to say whether any particular individual can be spared or not. Until this year, with some exceptions, dis-

crimination between dispensable and indispensable persons—for military service—was rough and ready. Individuals were not reserved because of the work they individually were doing; they were reserved in occupational categories, according to their qualifications or according to the work the firms they were employed by were doing. Now, when industrial mobilisation has been added to military conscription, the test is more precise. Men of non-military age and women will be judged by personal interview. Presumably, it will not be enough for them to say that their employers are doing essential work. They will have to prove that they are essential persons. Moreover, it will conversely be possible for them to claim that they individually are indispensable, even though their firms may not actually be doing war work.

In the vast category of men of military age, however, the test remains less discerning. Many more men are to be released for service or for transfer to other work of more national importance, it is true, but the new Schedule of Reserved Occupations will simply be the old one with higher ages of reservation. It will still be possible for individuals who could actually be spared to stay in reserved occupations, while men who can far less easily be dispensed with are called up from those that are not reserved. There is to be a new category of "protected" work, covering such vital activities as shipbuilding and engineering, in which the ages for reservation will be low. But it is the occupation a man is in and not the job he is actually doing that is protected, and inevitably there will be some men, even in these trades, who could be spared and replaced by women—while, in other, admittedly less important trades, key men may be called up. In the Civil Service and, it is claimed, in the Forces, too, this problem is being tackled, the case of each civil servant is being examined on its merits; and the Forces have been admonished to "comb their tails in order to magnify their teeth"—to replace men wherever possible by women and so free more combatants. In industry, it appears that the enormous task of investigation by tribunals is unwelcome; but only by bringing mobilisation down to the individual case can it be made both efficient and fair.

Slowly and painfully but with sureness, Mr Bevin has produced the outlines of a flexible plan for the effective use of labour as requirements grow. Everything now depends on its administration. If everyone who registers and is not exempted is compelled to volunteer within a stated time; if the numbers of men and women called upon to register, locally and nationally, are kept in step with the anticipated needs of the war factories and training centres; and if those who volunteer are compelled, by the new Essential Work Order, to remain at their posts, the absence of more open compulsion may be no hindrance. It is in equity that the hardest problems will be found. It is reasonable to make the first call upon factory trained workers who have been displaced or are unemployed, though it would be common sense, economically and technically, to dilute the intake of experienced women with less skilled recruits. But the unemployed must not be steadily seconded for the war effort while the "unoccupied" or leisured stand idly by. It is not the use made of the most promising material that will tell in the end, but the use made of the most unpromising—"the marginal woman." It is reasonable, too, to call most heavily on labour in the industrial areas where their services are needed. But the need to spread the burden nationally will remain pressing. In the case of young women of 20 and 21, those outside the factory districts will be advised to join the women's Services. The case of professional and business men is not so easy, though Mr Bevin has remarked that, after training, these men could do valuable "heavy work." One thing is certain: discrimination, however accidental, must be pared to a minimum. The contrast between "conscribed" Forces and "free" civilians is anomalous and provocative enough, and it must not be established among the civilians themselves.

The Blockade

THERE have been signs in recent weeks that the cumulative effect of the British blockade is giving the Nazis food for anxious thought. The invaluable Italian leak of the first nine months has gone, the neutral fringe of Europe with its protective territorial waters has gone, the Eastern Mediterranean is closed. Vladivostok is already at the limit of its capacity. It is therefore hardly surprising that desperate efforts are being made to drill another outlet through the wall of steel.

The policy of Great Britain has hitherto been perfectly consistent. Occupied territory is German territory for which the Nazis must take full responsibility. The neutral countries still remaining—Sweden, Switzerland, Spain, Portugal—are allowed to import food according to a rigid computation of their production and their consumption and the gap which must be covered by supplies from overseas.

Unoccupied France is clearly in a category by itself. The Vichy Government claims neutral status, points to an alarming deficit and demands the right to import sufficient foodstuffs to feed its people, threatening to resort to "armed neutrality" and to convoy its own merchantmen if the British detain the food ships. Yet what are we to say of the neutral rights of a country whose normal food supplies have been requisitioned practically in their entirety by the enemy? Clearly it creates a pretty problem in international law—though not a new one, for in 1918 Germany presented the Allies with a somewhat similar dilemma in Poland. However, it is not the legal aspect of Vichy's neutrality that is in question. It is the fact of neutrality itself.

The contention that Vichy France is neutral cannot be allowed to pass. At Monthoire last October a policy of full economic collaboration with Germany was agreed upon, and neither the actions nor the public pronouncements of the Darlan administration can be reconciled with neutrality. The speech in which Admiral Darlan announced the "necessity" of convoying French ships was a masterpiece of disingenuousness. To lay the blame for food shortages at Britain's door and to express "gratitude" to the Nazis (who are draining away £827 millions from France in annual costs of occupation) for a mere 200,000 tons of wheat, filched from occupied France, was entirely malicious. And in Washington M. Henry Haye's denunciation of British policy as "outrageous" was grossly unjust, since it was coupled with no reference to the outrageousness of Germany's policy of occupation and loot.

That in the bitterness of defeat and in the anxieties created by their false and impossible position, the statesmen of Vichy should permit themselves to vilify their old ally is a matter for regret only. Graver issues are raised by the extent of economic collaboration, which, behind the elaborate mime of the Laval affair, has been steadily increasing since October last. The most serious aspects of it are German infiltration in North Africa and the extent to which Marseilles has replaced "non-belligerent" Italy as the principal leak in the blockade. It seems likely that, with Vichy's consent, Germans have replaced the Italian Disarmament Commissions and are using their privileges to permeate French North Africa with experts, technicians, agents, even tourists—in a word, the usual harbingers of a Nazi advance. Their immediate military task may well be to take over the North African bases on the Atlantic seaboard. Their economic task is to ensure that the varied and often extremely valuable resources of North Africa are earmarked for the German Reich.

The position of Marseilles is closely connected with the Nazis' general strategy in North Africa. A certain number of ships passing through Gibraltar are

seized and held by the British Contraband Control officers. But there is increasing evidence to show that the Axis commissioners at Marseilles seize a large proportion of the supplies brought in by the ships released at Gibraltar and by other ships reaching France from North Africa's Mediterranean ports. To quote a Swiss newspaper: "All ships which . . . arrive are examined by the Italo-German Commission. The victor . . . has force behind him, and this force is employed in requisitioning about 60 per cent. of the raw materials and foodstuffs which are destined for France. It is true that this requisitioning does not take place without protests, recriminations and even threats, but this is useless against the will of the conquerors." It is against this background that Britain's "outrageous policy" and Admiral Darlan's "gratitude" must be set.

In spite of these unquestioned facts, pressure is being brought to bear on the British Government to loosen the blockade to the extent of admitting foodships. The issues must be examined coolly and the British people must endeavour to avoid hot feelings of indignation over the dilemma into which German duplicity and French complicity have led them. The proposed loosening of the blockade would undoubtedly be a grave break with all Britain's previous policy—and indeed with that of France herself until June, 1940. It goes counter to everything that has been said or written in this country on the subject. It is tactically a dangerous move. Whenever, in former dealings with Italy and with the neutrals, any question of mitigating the blockade was brought up, German propaganda took full advantage of it further to weaken the whole policy. Nor should the effect on opinion in occupied territory be forgotten. The British contention is that Vichy's freedom of action is practically negligible. If food ships were despatched to unoccupied France, it can be imagined what play the Germans would make with such weakness in Belgium and Holland.

Again, the argument frequently put forward that food must be sent in order to prevent a great revulsion of feeling in Europe against Britain and her "hunger blockade" runs counter to all the evidence. One of the reasons why the Nazis have become more exacting in their recent demands on France is precisely because they realise that the game of collaboration is proving a fiasco in face of the hostility of the great majority of the population. The French people are not fools. They know who has robbed the *potager*. They feel no "gratitude" to the invader who digs up their potatoes in the morning and sells a few back at night. It would be disastrous if British and American statesmen were hypnotised into timid action in the mistaken belief that the outlook at Vichy is that of France.

Yet there are clearly powerful forces at work which have made it impossible for Britain to pursue a consistent policy and to expose the true nature of Vichy's threats and demands. American sympathy for the people of France is as strong as that of Great Britain, and it is not altogether alive to the potential dangers of the policy which is under discussion between the British and American authorities. It should therefore be made clear that if food ships are to go to Marseilles, Germany must inevitably receive indirect assistance. Even if none of the food supplied goes to Germany, the Nazis can at least take back the 200,000 tons of wheat they have "generously" supplied and be quit of the responsibility of feeding Vichy France, which, like unoccupied France, is working for the Reich.

If, therefore, it is found expedient to pursue the policy of sending food in spite of a definite measure of indirect assistance given to the enemy, there must be no weakening on the question of direct assistance, and the new policy should be so designed that, in return for the food ships, the present leakage through North

Africa and Marseilles would come to an absolute end. If this were achieved, it might be possible, by admitting a supervised trickle, to do away with the present uncontrolled stream.

Safeguards have of course been suggested. An American commission would see that the food was distributed in Vichy France only; another commission might be installed in Marseilles; there are some suggestions that Vichy should put an end to German infiltration in North Africa. These provisions are on the right lines. The only doubt is whether they can go far enough. Since it is of Britain that the sacrifice is asked, it is surely reasonable that she should be given representation on the commissions of control. Anglo-American commissions in Vichy France and North Africa would go far to ensure that the purpose of their joint policy—that of feeding Frenchmen without directly assisting the Nazis—was properly achieved.

When the British conditions are stated thus, it becomes clear that they have but a slight chance of acceptance at Vichy. The Darlan administration

speaks for Germany, and Germany in her *Transocean* transmission has already forecast that Britain will pursue a "Machiavellian" policy by making the conditions under which food may be sent so severe that Admiral Darlan must of necessity refuse them. So he must if the purpose of his policy is not to feed France but to assist Germany. There is an inevitable incompatibility between any policy which Britain on the one hand and Germany on the other can accept. Britain will not on that account demand less. It is for the men of Vichy to prove that they are not the mouthpieces, tools and accomplices of the Nazi Reich.

The crux is, of course, the attitude of America. Great Britain can only assume that the Americans are as anxious as the British themselves "to finish the job." If sentiment demands the feeding of France, let it at least be combined with political realism. Britain is alive and sympathetic to the sufferings of Europe, but surely at this point it does not need repeating that the quickest way and the only way to relieve Europe is to win the war.

Profits, Savings and Inflation

SINCE the beginning of the New Year a series of articles in *The Economist* on the Budgetary problem has dealt in some detail with the general dimensions of the task that faces the Chancellor of the Exchequer, with the likely effect upon it of the change in American policy and with the scope for additional taxation upon the ordinary income of the people. It remains, to complete the picture, to deal with the two very closely related questions of taxes on extraordinary incomes—that is, on excess profits and excess incomes—and of the possible extent of Government borrowing of savings. Wars can hardly be fought without some incomes or profits being increased. Some industries and professions are very much more active in wartime than in peacetime, and even if the aggregate of incomes were unaltered there would be some individual persons or firms whose incomes were increased and were therefore capable of bearing increased taxation. When to this dislocating effect of war there is added a tendency for the aggregate of incomes to rise, because of a fall in the value of money, the number and size of "excess" incomes increases very rapidly. This is a source of revenue which no wartime Chancellor of the Exchequer can afford to ignore, even if public opinion would allow him to.

The present Excess Profits Tax is much the most drastic attempt to levy on wartime increases in incomes of which there is any record.* It is never easy to define what are excess profits, and even the most perfect and complex system must give rise to some marginal injustices. These inequities are naturally intensified with every increase in the rate of charge, and with EPT levied at 100 per cent., some of them become really serious. If, in the forthcoming Budget, EPT is to be left at 100 per cent. or at some comparably onerous figure, a substantial number of technical defects will have to be put right. The treatment of immature firms is only one example of a provision that appears to be working contrary to common equity. Perhaps the second most important defect is the method of assessing the tax on firms exploiting wasting assets, which is still unduly severe, even after last year's concessions.

These technical amendments of EPT are not, how-

ever, all that is needed to convert it into a good tax. It has become quite clear that the rate of 100 per cent. is operating against the public interest—even against the narrowest interest of the Exchequer. To say that it removes the incentive of gain without which business will not function is to put an unnecessarily unworthy appearance on the true state of affairs. Most business managements are prepared in wartime to respond to incentives other than profits. But there are many forms of activity—in export, for example—which a firm cannot afford to undertake if it has to shoulder the whole risk of loss without any possibility of gain. The very heavy burden of EPT runs some risk of depleting British industry of its liquid capital, with results that may be very damaging after the war. In retrospect, it is easy to see that 100 per cent. EPT was a mistake, which would not be repeated to-day.

It remains to find means of remedying the mistake. Simply to reduce the rate from 100 per cent. to 75 per cent. or 66½ per cent. might give rise to political dispute. Moreover, the Chancellor needs all the money he can get; it would be better to devise a means of increasing the yield of EPT while diminishing its unfairness. The best means would probably be to keep the rate at 100 per cent. but to provide that, say, a quarter of the sums collected should be regarded as lent to the Government. Bonds would be issued for the amounts thus "lent," bearing either no interest at all or a very low rate. It would have to be provided, of course, that the funds thus standing to the credit of EPT payers could not be spent, except for good cause, until after the war, but this could be achieved in a number of different ways. A scheme of this sort, while keeping the rate of tax at 100 per cent., would restore the incentive of profit—though only in the hereafter. The yield of the tax would not be reduced; and all the advantages that were claimed by Mr Keynes for the release, in a post-war depression, of "deferred pay" would apply with even greater force to the release of funds direct to industry.

Excess profits are not, of course, the only variety of excess incomes and an Excess Income Tax has frequently been proposed. The balance of advantage and disadvantage with such a tax is harder to strike than is apparent at first sight. On the whole, it would seem best to conclude that its advisability would turn on the yield to be expected; which again would turn on the degree of inflation to be expected. It is a possible shot in the Chancellor's locker; but perhaps it will stay there this year.

Even a very carefully designed system of taxation on excess profits and incomes cannot entirely prevent the emergence of war fortunes if there is a general fall in the value of money. This is not so

much because of the difficulty of devising entirely watertight definitions, but because the foundation of war fortunes is usually accretions to capital rather than excess profits. For this reason the second line of attack on war wealth is the levy on capital in its various manifestations. The most recent proposals are those made by the Labour Party a year ago for an annually recurring tax on all property. In some versions of the proposals, the rate to be levied rose for the largest properties as high as 4 per cent. per annum of the capital value, and there was, of course, no suggestion that such a levy could be paid out of the income from the property. Proposals such as this seem to be based upon a fundamental fallacy. War-time inflation, it is true, gives rise to large increases in the wealth of certain property owners. But property owners as a class suffer severely from it. According to Mr Colin Clark's calculations, rent interest and profits between them took 44.9 per cent. of the national income in 1911. In 1924, in spite of the war fortunes, the figure had fallen to 32.5 per cent., and in 1929 it was still lower, at 31.6 per cent. The Labour proposals, in order to levy on a number of individuals who are enriched by war, would impose very stiff additional taxation on a class who are differentially injured by war. It is arguable that the British tax system as it stood in 1939 did not discriminate against incomes from property as much as it should have done. But the argument, insofar as it applies to property as a whole, is weakened rather than strengthened by war and inflation. If increased taxation on property has not been acceptable to the electorate before the war, it should be still less acceptable during the war and immediately after an inflation of prices. The variety of property taxation for which war and its corollaries do provide a justification is taxation on war-time increases in property, not on property itself. And if there are technical difficulties in a levy on increases in wealth (admirably discussed in the book referred to in the footnote), that can be no justification for a different and much less equitable proposal.

If there is to be war-created wealth and if it cannot be taken away from its owners during the war, the least that can be done is to see that it is not over-remunerated in the interim. In this war, the public has from the start clearly grasped and approved the distinction between "genuine" savings, which it is right to remunerate with interest rates of up to 3 per cent., and created credit, which should be borrowed by the Treasury at no more than the cost of handling. The difficulty arises in defining "genuine" savings. If credit is being created for the benefit of the Exchequer, it is easy to identify it as

such at the moment of its creation. But in the second stage, after it has been paid out by the Exchequer and reappeared in some firm's or individual's income, it is no longer identifiable. The greater the degree of inflation, the more individuals will be able to "save"—and the smaller will be the "genuine" proportion of the whole. The only sound principle is that a real rate of interest should be paid for those additional savings, and those only, which result from a reduction in some individual person's or firm's consumption below the pre-war level. All the rest is merely inflation coming round for the second time.

The National Savings Campaign, with its wholly admirable energy and persistence, is going badly off the rails on this point. Most of its propaganda lays emphasis merely on the total of money subscribed. War Weapons Weeks are already leading to the subscription of newly created credit by local branches of the banks—a clear contravention of the principle. There is also a tendency to bless with the patriotic label private individuals' subscriptions to War Loan which represent no genuine abstinence from consumption at all. The whole cast of Savings propaganda needs to be quite radically altered. The individual should be told that his duty is to reduce his consumption by every possible means. He should have the lesson driven home to him on every hoarding that every act of consumption uses shipping space and labour—the two scarcest of commodities. Once he has economised as much as he can, it matters very little what happens to the money he saves thereby. The saving once done, it is of no advantage to the State to pile up enormous figures of subscriptions to Savings Certificates and War Loan. Indeed, it is to the State's advantage not to borrow at 2½ per cent. or 3 per cent. if it can raise the money more cheaply, and the truly patriotic citizen is he who, having reduced his consumption to the absolute minimum, leaves his spare money in the bank. Essentially, Lord Kindersley's task is to preach economy—and to keep subscriptions to Savings Certificates and War Loan down to the minimum. The greater the part that the creation of credit plays in the financing of the Government, the greater will be the necessity for insisting that to invest money so as to secure any return at all is a privilege to be reserved for those who can prove they deserve it, not a duty to be urged on the generality.

It is doubtful whether the National Savings Movement sees its duty in this light. But it is hardly doubtful that if, in savings as in other departments of war economics, money-thinking is allowed to obscure real-thinking, the result will be confusion of purpose and waste of resources.

Conditions in the Copperbelt

NORTHERN RHODESIA has for some time been regarded as one of the most backward of British territories in Africa. In spite of possessing its rich copperfield, the Colony is very poor, even by colonial standards; the land still in the possession of the natives is deteriorating rapidly, while large tracts reserved for Europeans lie empty and unused. The reserved for Europeans lie empty and unused. The strikes and rioting which took place on the copperbelt a year ago must, therefore, be regarded as a symptom of a deeper *malaise* than a wage dispute between the mines and the African workers.

In fact, except for an error of judgment at Nkana, where it was decided to hold the usual pay parade in the presence of an excitable crowd, the copper mines have been exonerated, by the Commission which investigated the disturbances, from blame for the riot and bloodshed. But the report of the Commission shows that it was not altogether satisfied with the conditions of the African workers or the relations between them and the Europeans. The Africans did not strike for the same wages as the Europeans, but

during the inquiry they claimed that their work entitled them to a higher wage than they receive at present. This contention was accepted by the Commission, and its recommendation that the basic starting wage of 12s. 6d. and 22s. 6d. a month for surface and underground workers, respectively, should be raised by 2s. 6d., has in turn been accepted by the Northern Rhodesian Government and the copper companies. They have also decided to classify African labour into grades, with higher rates for the higher grades. Moreover, increases are given in accordance with length of employment, while there are payments for overtime and bonuses for efficiency.

But no description of African wage rates is complete which leaves out payment in kind. The African worker is given free housing in compounds, near the mine, and free rations for himself and his family. In future, every worker will be given essential clothing on engagement and, in addition, a replacement allowance. Careful attention is paid to his health. He is medically examined and weighed on engagement, and is then

* A book entitled "The Taxation of War Wealth," by J. R. Hicks, U. K. Hicks and L. Rostas (Oxford: The Clarendon Press. 304 pages) has been published at a most appropriate moment. Professor and Mrs Hicks and Dr Rostas have not only compiled a great deal of information on experiments in excess profits taxes and capital levies in a variety of countries, they have appended a discussion of the functions and problems of such taxes which should serve very greatly to illuminate practical controversies. The book is an example of the best type of economic research, combining the scientific approach with actuality.

weighed at monthly intervals; if he loses weight he is sent to the medical officer for examination and treatment. Free treatment is given at the mines' hospitals for the worker and his dependants. The chief deficiencies found by the Commission with regard to welfare are crowded housing conditions, especially for families—which, however, are already being remedied—and a lack of adequate education and recreation facilities—which the Government and the companies have between them agreed to improve. In fact, it is possible to say that the copper companies, by African standards, and, indeed, some European standards as well, are good employers, so far at least as the welfare of their employees is concerned.

It is necessary to stress this because there is too frequent a tendency to brand the mining companies with "capitalist exploitation" of native labour, and to make crude comparisons between gross profits, native wages and dividends. In any extractive industry, the dividends paid when once the mines are in operation are always higher than in manufacturing industry. There are two reasons for this: first, the long period when capital is being sunk without a return; and, secondly, the fact that a mine is a wasting asset and that dividends represent to some extent a return of capital (though this latter element should not be over-emphasised in the case of Rhodesian copper, where the reserves are large). In the particular case of the copperbelt companies, there is the further circumstance that they are the technical leaders of the world copper industry. Even if the relative cost of labour were left aside, their costs of production would be low, and to deny a high return on their capital to those who increase the efficiency of an industry would be to impose one more obstacle to the technical progress on which the standard of living of the whole world depends.

In the light of all the facts, the record of the three Rhodesian copper companies is not one of shareholders' rapacity. The Rhokana Corporation was registered as early as 1923, Roan Antelope in 1927, and Mufulira in 1930. No profits at all were earned until 1932, and the full profit-earning stage was not reached until 1937. To date, some £22 millions have been invested in the industry, and the sum total of the gross trading profits (after allowing for depreciation of plant, etc.) that have been earned over the whole period of the industry's existence, which extends over 18 years, is only some £25 millions. Not all of this, by any means, went to those who provided the capital. Taxation has taken well over £7 millions (differing accounting methods make it difficult to say exactly how much) and the shareholders' portion after taxation, whether in dividends or reserves, has been substantially less than £17 millions.

If the companies are good employers, if they are paying the highest wages in the colony, if the yield on their investment is not excessive, to place the blame on them for the unsatisfactory position of the African native is merely an attempt to escape from the real difficulties with a shout of "capitalist extortion." There is doubtless room for higher wages and for more expenditure on welfare, but to insist that industry in Northern Rhodesia should be run primarily for the benefit of the natives would be to give them a privilege that the wage-earners of Great Britain itself do not enjoy. Indeed, if a charge is to lie against anyone for taking too much money out of Northern Rhodesia for too little return, it must lie against the Imperial British Government. The companies are registered in the United Kingdom and the working of the double taxation arrangements with Northern Rhodesia ensure that rather more than half of the total sum paid in taxation by the industry comes to London. In 1939-40 the Imperial Exchequer's receipts were probably rather more than two-thirds of those of the shareholders.

The real difficulty, however, lies not in the respective shares of the Colony and the United Kingdom in the revenue from the Colony's chief asset, but in the attitude of the companies, on the one hand, and the

Government, on the other, to the industrialisation of the African. The concern of the mine managements for his welfare is undoubted, but they never regard him as anything more than a supply of labour. The Commission considers that the Africans claim that they can do the work of Europeans is unjustified at this stage, but it recognises that they will progress and recommends that consultation should take place between the Government and the European workers' trade union on what positions the African worker should be encouraged to regard as within his grasp. No satisfactory reply has been given to this recommendation.

Unlike the companies, the Government, in accordance with the mainspring of British colonial policy, recognises the potentialities of the African, however backward he may be at the moment. But it considers that these potentialities—by which is meant potentialities for governing—can best be fulfilled by keeping the African in his tribe and allowing him to progress only on the basis of his local culture and inheritance. This, however, frequently means, especially in Northern Rhodesia, that economically he does not progress at all—the native on the copper mine has a higher standard of living than his fellow tribesman left behind. It is this principle of preserving the tribe that has caused the Northern Rhodesian Government to say that it cannot agree to a permanent industrialised native population on the copperbelt. Thus we have the paradoxical situation of the companies improving the health and economic position of the native but denying him the right to equality with Europeans, while the Government holds out to him unlimited rights but keeps him materially backward.

The African has made such genuine progress under British "indirect rule" that criticism of it must be expressed with great hesitation. Moreover, the very real evils arising from the breakdown of tribal life in Africa have too often been stressed by visiting Commissions and others to be ignored. But it is legitimate to ask whether it must be preserved at the price of perpetual poverty, whether the practice of allowing natives to work on the mines and in the towns of Rhodesia and the Union at all has not already broken it down to a large extent, and, if this is so, whether the best solution is not to accept it. The African is fundamentally an agriculturist and a communalist, and clearly he must only be industrialised with care. But it is perhaps possible for him to live and work in industry without rebelling against his natural instincts. Already, in the copper mine compounds, members of the same tribe elect an "Elder" to represent them, and it may be that the "Elder" system, which the Commission recommends should be encouraged instead of the formation of trade unions, can replace the background formerly supplied by the village and the chief. And there seems no reason why, as the Commission also recommends, the native workers on the copperbelt should not be encouraged to have their own small plots of land, in which their wives could work as they do in the native villages.

But whether this is a solution or not, the fact remains that the Government may eventually have to choose between preserving the tribe and industrialising the native. If it chooses the latter—and in a country like Northern Rhodesia, where the only real asset must be exploited by European capital, the choice seems inevitable—the companies must agree to give the African equal opportunities for advancement with the European. And at all costs steps must be taken to prevent unemployment and labour problems arising from a copper slump. But the present system, by which the natives are encouraged to return to their tribes after a year or eighteen months, seems to get the worst of both worlds. It discourages the companies and the Government from having a permanent labour policy which will suit the African; at the same time it gives the intelligent Africans a tantalising glimpse of a life which they cannot enjoy and tends to make all of them restless and discontented.

NOTES OF THE WEEK

Good News from America

President Roosevelt's speech, delivered on the Ides of March, has had a heartening effect wherever in the world men still love freedom. In it he pledged the American people to a "total effort" in this war. Sacrifices will be made in the common cause, the idea of "business as usual" which haunted Britain's war economy so long will be banished, the American nation will dedicate itself "from here on to a constantly increasing tempo of production," and the term of effort, sacrifice and dedication will be victory for the cause of Democracy. The British people have gained as their ally the most powerful industrial nation in the world and the American help is theirs until they have "finished the American help is theirs until they have 'finished the job.'" The President's speech with its promise of food, "the whole range of munitions of war," together with "the necessities for transporting them across the seas," gave expression to the facts of a tremendous week of activity. The Appropriation Bill to give effect to the Lease and Lend Bill to the tune of £1,750 millions is passing through Congress. Existing stocks—including ships—are already on their way to this country. Mr. Harriman, the President's special representative, has arrived in London to expedite all matters connected with war supplies. The help promised, the relief after months of waiting, the opening horizons of co-operation in peace and war, encourage the British people to see in them the promise of the day when, in Mr. Churchill's words, "the British Empire and the United States will share together the solemn but splendid duties which are the crown of victory." But after their first natural fervour of gratitude and relief, the British people must avoid their habitual failing of seeing in the reasons why victory is likely an assurance that the war will win itself. The blockade, an internal collapse in Germany, the Maginot Line—all these have served their day. It would be unwise to add "American help" to the long list. A great part of the promised war supplies will not reach this country for months to come. In the meantime, the U-boat campaign will take a deadly toll of incoming cargoes. Escort vessels remain a serious problem, even when the ships released by America are taken into account. For months yet, indeed to the very end, the British people must continue to save themselves by their own exertions. Nor must they assume that all controversial issues between the great allies have now been settled. Nevertheless, while entering this caveat, Britain can afford to rejoice with a grateful heart.

* * *

The Coming of Spring

Two facts have emerged from the renewal of bombing since the return of reasonably good flying weather. The first is that the Germans have apparently learned a lesson from the poor results of their wasteful large-scale raids last year. It is not so much that their aim has improved—the damage done to non-military objectives at Bristol and on Clydeside has been quite in the old style—but their intentions seem to be more specific. The *Luftwaffe's* targets now are mainly ports and docks—with only an occasional return to old habits and the bombing of Central London, which is too far from the Port for this to be simply bad shooting, and of course the usual operational forays against aerodromes. The attacks on Clydeside are an important reminder that the points where the sea-ways join the ocean routes themselves, and while the small toll taken by actual destruction is still a measure of the failure of aerial bombardment to justify its advance press notices, delays in crowded harbours can cause grave inconvenience. When the enemy bombers are ringing the changes on the Bristol Channel, Merseyside and the Clyde, there is really no excuse either for the authorities to stand on ceremony or for workpeople to appeal to custom while there are ships to be cleared and goods to be moved. Britain has put fresh types of bombing planes into the air for new and heavy raids on Germany. The second moral of the latest attacks by air is the improvement in night defences. Over Britain, the nights of the full moon were

"field days" for gunners, fighters and "other devices," and while German losses here appear, even proportionately, to have been considerably heavier than the British losses over Germany, it seems that once again, as so often in the history of warfare, methods of defence are overhauling the attacker on all air fronts—except, apart from Malta, in the Mediterranean, where the Italians' genius for defence is proving even less substantial than their flair for the offensive. The biggest battles are presumably still to come when the second spring of the war really breaks; then there will undoubtedly be savage raiding by both combatants. But the steady betterment of defences suggests what many observers have been convinced of for some time, that is, that air power will only be decisive in resistance. It remains true that aircraft gain no ground, and against any kind of resolute defence air attacks, in isolation from the other arms, do not, in terms of war, do decisive damage.

* * *

Taking the Strain

In the week ended March 9th sinkings of British and Allied ships totalled 98,832 tons. The disturbing size of this total is more important than the fact that it was some 50,000 tons below the previous week's total and not much more than half the enemy's claim; and in his speech on Tuesday, welcoming the new United States Ambassador, Mr. Churchill made no bones about the fact that the Battle of the Atlantic, against far-flung raiders and bombers as well as submarines, is a matter of life and death. The defences are meeting the shock. Mr. Churchill was able to announce, for the first time since October, 1939, news of three U-boats sunk for certain on a single day. Sir Percy Noble has been appointed Commander-in-Chief, Western Approaches, which is now a separate command, and—no less significant—Rear-Admiral Arthur L. St. G. Lyster, who commanded the Mediterranean aircraft-carriers at the time of Taranto, has been made Chief of Naval Air Services. There have been many discussions lately about the best means to combat this spring offensive, and especially about the nature, numbers and functions of air patrols, and it is to be hoped that these two men have come to their critical task with the right plans drafted.

* * *

The Balkans Wait

There are a variety of reasons to explain last week's lull in the Balkans and different observers are free to interpret it according to their native optimism—or lack of it. It may well be due to the weather. An early burst of delusive spring weather brought the Nazi divisions into Bulgaria. It has been followed by a cold spell and rain. There is also the problem of getting the Germans to their battle-stations and ensuring that when the blow is finally struck it falls with customary German

Every facility for
BANKING
business on
SWEDEN

SKANDINAVISKA
BANKEN
Central Offices at Göteborg, Stockholm
and Malmö
CABLES (FOR ALL OFFICES AND BRANCHES)
SKANDINAVBANK

efficiency. Bulgaria is not the best equipped country from the military point of view and Germany's lines of communication are long and vulnerable. It is, however, on the diplomatic situation that the optimists base their hopes. It is fairly obvious that Hitler did not wish to fight the Greeks and that his general experience with small peoples suggested that the mere arrival of German divisions on the Greek frontier would do the trick. It is worth noting that the German arrival coincided with a big Italian offensive in Albania—under the personal guidance, it appears, of the Duce—and the double blow was intended to compel Greece to capitulate. The next steps would then have been easy. Yugoslavia, encircled, would have joined the Axis, Britain would have been excluded, and Turkey, disillusioned by the fate of her friends, would have come to terms. Unhappily for the Germans, the Greeks were



unperturbed and smashed the Italian offensive with heavy losses to the enemy. Hitler is undoubtedly left in an unhappy quandary. His relations with Yugoslavia and Turkey, which were planned to settle themselves after the collapse of Greece, must now be settled before further steps against Greece are undertaken. Turkey, while avoiding commitments, has given a dramatic demonstration of solidarity with Britain in the Eden-Sarajoglu meeting at Nicosia, and the Yugoslavs, who must have seemed fair game to the Nazi sportsmen, have quietly mobilised and adopted so assured a tone that Germany's earlier demands for the passage of troops and full co-operation with the Axis have been watered down to neutrality and economic collaboration—which Germany enjoys already. The Balkan situation remains perilous enough for the Allies, but Hitler, too, is finding the path none too smooth.

The Nazis in the Middle East

It is clear from German activities in the Middle East that Britain's successes in North Africa and Greece's unexpected stand have not altered the Nazis' general strategic plan in this area. This is not extraordinary since it turns on the first necessity of war—oil. For the time being, Germany's Middle Eastern tactic resembles the policy pursued in the Balkans before it became necessary to advance to military occupation. It proceeds on two planes, economic infiltration and political disintegration. In the economic field, the occupation of Varna and Constanza undoubtedly forwards Germany's Black Sea commerce. In Turkey, the virtual breaking off of economic relations of September, 1939,

has been, step by step, revised. To-day Germany is buying £T5 millions' worth of Turkish tobacco. A trade delegation has visited Izmir and Germany hopes to arrange an important barter agreement covering Turkish dates and raisins. The Germans have the largest share in Iran's foreign trade; their colony has grown to 25,000 in the last year, most of them "commercial travellers," and there are at least 2,000 "technicians" connected with road and railway works. Others are prospecting for oil. Again, in Syria, a party of "archæologists," led by Baron von Oppenheim (of all unlikely names), has discovered a surprising number of Khalti relics in the neighbourhood of Syria's potential oil districts. But in Syria and Iraq Germany's action is political rather than economic. In Iraq, the extremist Iraqi nationalists, with *al-Istiqlal* as their mouthpiece, accept their news from Axis sources, lose no opportunity of denouncing British imperialism, or of calling for Arab independence. However, the Axis has not apparently been able to win these extremists for the idea that German imperialism is preferable to British. In Syria, the country is in a ferment between the Vichy officials giving grudging support to the officials of the Axis—M Puaux was probably dismissed for insufficient "co-operation," a growing section of the army and bureaucracy who support De Gaulle, and the nationalists who demand independence. Economic shortage completes the picture, and sporadic rioting and arrests are its symptoms. The waters are troubled enough, and these are notoriously the waters in which Hitler prefers to fish.

Dollars, American and Canadian

The fact that the passage of the Aid for Democracy Act (*né* Lease and Lend) has not absolved the British Treasury from the necessity of increasing its supply of dollars by every possible means has been emphatically underlined by the news that the holding of shares in the American Viscose Corporation, owned by Courtaulds, Ltd., has been sold on behalf of the Treasury to an American syndicate who are to make a public issue of the shares. American Viscose is one of the earliest and most successful examples of direct British enterprise in American industry and, however good the monetary bargain, there will be a great deal of sympathy with Courtaulds over the loss of their child. It is, indeed, a sad event, though not one that is to be regretted, since it comes at a most appropriate hour to demonstrate that Great Britain is still ready for sacrifices of any kind to provide the sinews of war. There are already signs that the Lease and Lend programme is to be interpreted broadly—large transfers of cotton and tobacco are apparently on the agenda—but the shortage of dollars is as acute as ever. The appearance in the estimates of British dollar needs which have been published recently in the United States of substantial sums paid to Canada has naturally given rise to some discussion in this country. As was remarked in *The Economist* last week, "it is somewhat anomalous that a neutral should be providing munitions free of cash payment while gold or American dollars are still being paid to a belligerent." But it would be wrong to read into this anomaly, as is being done in some quarters, a suggestion that there is any hoarding of gold by Canada or any lack of financial co-operation at Ottawa. The gold or American dollars paid to Canada by the United Kingdom are needed to settle Canada's own adverse balance with the United States, a balance swollen by imports of raw materials and machinery for the rapidly growing Canadian armament programme. If Canada could obtain these commodities on lease-and-lend terms, the necessity would, of course, disappear. But the difficulties that have to be surmounted do not include any lack of co-operation on Canada's part, and it is a pity that the publication of partial statistics should have given rise to a false impression.

Minds Across the Sea

The representation of the British and American Governments in each other's capital is rapidly and happily growing. Mr Winant, the new Ambassador, has been welcomed by the Pilgrims. He was accompanied by Mr Benjamin Cohen, one of the acutest minds in the New Deal and a very close associate of Mr Roosevelt; and he has been followed by Mr W. A. Harriman, who

is to act as the President's "defence expediter." At the same time, Mr Anthony Biddle has come to London as Ambassador or Minister to the Governments-in-Exile. This, together with the existing staff of the Embassy and the shifting population of special missions, constitutes by far the strongest diplomatic team that the United States has had in any foreign capital since the days of the Paris Peace Conference. At the other end of the cable, in Washington, Lord Halifax has recently been given three most valuable reinforcements. Sir Arthur Salter is going out on a mission that will mainly be concerned with the supply of merchant shipping; Mr R. H. Brand, who is already in Washington, is to represent the Ministry of Food; and Professor Noel Hall is to take charge of the economic warfare work of the Embassy. Thus the Ambassador, himself a member of the War Cabinet, will now be supported by the unprecedented number of three Ministers in the Embassy (Mr Butler, Sir Gerald Campbell and Professor Hall), by two Privy Councillors (Mr Purvis and Sir Arthur Salter) and by other Heads of Mission of the calibre of Mr Brand, Sir Clive Baillieu (Supply), Mr Morris Wilson (Aircraft Production) and Sir Frederick Phillips (Treasury). All this is very much to the good; these two Embassies can never again be regarded as ordinary diplomatic posts.

Two Masters

The layman can say little useful about aircraft design and manufacture, but many thoughtful citizens have been rightly disturbed by recent stories of friction between the Air Ministry and the Ministry of Aircraft Production, and by reports of resignations. In the Commons debates last week and this on the Air Estimates, these tales have been put in a soberer perspective. The chief figure involved, Sir Henry Tizard—the *doyen* of aeronautical research who "found it impossible (as one Member put it) to work at MAP"—is coming back to work. Sir Charles Bruce-Gardner, who had been somewhat ambiguously placed in the Ministry as chief executive of the Society of British Aircraft Constructors, has returned to his employers. Only Air Marshal Sir John Salmond, who was Director of Armament Production at MAP, is still absent and unexplained. The point is that, administratively, MAP is an anomaly. After Dunkirk, simply because of the lamentable failure of output to keep pace with war needs, an *ad hoc* Ministry to put aircraft first was a necessity. Its job was to deliver the goods, and history will record Lord Beaverbrook's success. Since September, the scene has altered. The need is no longer simply to speed up production. Quantitative superiority remains the target, but out of the dramatic events of the past six months, crucial questions of quality—or, more precisely, of type—have arisen; and there are two Ministries, instead of one, involved in their answer. It is not so much a question of friction between MAP and the Air Ministry as one of sovereignty. On the face of it, it would seem obvious that the Air Ministry, within the frame of the Cabinet and its Defence organisation, should decide such issues as the ratio in production between fighters and bombers and the new types to be turned out in bulk—just as the War Office should make its requisition for co-operating and carrying planes, and the Admiralty for fleet arm machines. MAP is a supply department with the title of Ministry, and its function is production not policy; it should be, as one Member said last week, the Air Ministry's "fag." Actually, however, development and research are focussed at MAP—for what are, admittedly, sound practical reasons—just as the "technical and scientific people" of the War Office are at the Ministry of Supply; and Lord Beaverbrook is hardly the man to be anyone's fag. Last year's crisis called for energy and resolute individualism, just as perhaps shipbuilding and the clearing of ports do at present. Now, at what is probably the turning point of the air war, it is co-operation in a common programme of defence and victory that is called for; and without judging any of the technical matters involved—or even knowing what exactly is going on—it is possible for the layman to decide that the present system of "diarchy" by these two Ministries is pregnant with perils.

Berbera Retaken

There is still little to report from Libya. The RAF have delivered some punishing attacks on Tripoli where

units of the *Luftwaffe* are stationed. In Eritrea, after a lull, fighting has flared up again at Keren, but the attacks appear to have been launched by the Italians in an attempt to break the noose which the encircling British forces are drawing tighter. In Abyssinia, the advance of Imperial and Patriot troops continues on all fronts, but the forces operating in the southern sector are encountering less opposition and greater progress is being made. The stroke of the week was undoubtedly the recapture of Berbera, capital of British Somaliland. The attack was launched by landing parties under cover of a naval and air bombardment and Somalis and Arabs took a prominent part in the engagement. The Italians captured were in a state of very low moral, and their equipment suggested that the Italians have now completely abandoned any attempt to relieve their outlying garrisons. The mopping-up of the colony should not take long, and it is satisfactory to recall that its occupation by the Italians has lasted only seven months.

Clydeside Again

Mr Bevin's scheme to speed up work in docks is to be applied to Clydeside. On March 22nd the dockers there were scheduled to register and become, in effect, employees of the Ministry of Transport, with the benefits of a guaranteed weekly wage, generous overtime rates and regular employment. Unfortunately, the trade union representatives of 4,000 Glasgow dockers say their men will not come in. Apparently, neither the visit of the King nor the visit—the first one—of the *Luftwaffe* has altered their view, which is not shared by their 600 colleagues at Greenock, that the plan is impracticable, and that they are doing by their present arrangements all that can be done. This contrast to the eager acceptance of the scheme by the dockers on Merseyside is fiddling while Rome burns—or, rather, while the enemy bombers made a syncope progression, night by night, from port to port—with a vengeance. It is possible that some of the dockers' misgivings are quite genuine. The Clyde and the Mersey are not on all fours, and it would be foolish to set these Clydesiders down simply as Communist saboteurs when the part played by the Communist few is, as always, only to fan the flames. Moreover, only a fifth of the dockers were at the meeting which voted for rejection. But in alliance with the merchant seamen who take "impracticable" risks every hour of the day, these dockers hold the life of the nation in their hands, and if Mr Bevin considers that his scheme is essential, he has power to enforce it—and the duty to do so. Indeed, the urgency of the day is no less than it was when a military director of all forms of transport was placed over the French ports which fed the Allied armies twenty-five years ago—and it is not only in dock labour that the present means of moving goods are faulty.

If Hitler Comes

Over last week-end, the Government issued the text of the leaflet, shortly to be distributed to every household, on what to do in an invasion. "Stay put" has been defined as staying in one's district, but otherwise carrying on a normal life—unless fighting breaks out in the neighbourhood, in which case people are advised to stay indoors until the battle is over. The police and air-raid wardens will be the normal source of advice and orders; but it is possible that the public will have to take orders from the military or Home

THE BRITISH LINEN BANK

Incorporated by Royal Charter, 1746

Head Office: 38 St. Andrew Square, Edinburgh

OVER 210 BRANCHES IN SCOTLAND

LONDON OFFICES

City Office: 38 Threadneedle Street, E.C.2
West End Branch: 198 Piccadilly, W.1

THE WORLD OVERSEAS

Labour in the Defence Programme

(From Our Washington Correspondent)

February 19th

SOME estimate of labour's position at this stage of the defence effort is now possible. The basic statistics give a preliminary indication of recent changes. In December, 1940, total non-agricultural employment stood at 37.2 millions, compared with 35.8 millions in the preceding December, 28.3 millions in the year 1932 and 36.7 millions in the year 1929. Average weekly earnings in all manufacturing industries were \$27.89 for December, 1940; they were \$26.26 in the preceding December. In busy 1937 they were \$24.95. On the base 1935-39 = 100, the index of the cost of goods purchased by wage-earners and lower-salaried workers in the large cities—food, clothing, rent, fuel, etc.—stood at 100.7 in December, 1940, compared with 99.6 in the preceding December, 92.4 in the year 1933 and 122.5 in the year 1929.

The story behind the statistics of these shifts contains a number of new chapters. During the long decade of under-employment, jobs had been scarce in the construction and the durable goods fields—the two fields of most greatly quickened activity under the defence programme. Apprenticeships had been few, retirements and shifts to other occupations many. By midsummer, a nation that for years had been primarily concerned with unemployment had become primarily concerned with employment. That did not mean that unemployment had disappeared—according to kerbside statistics, there are some 5.5 million persons still unemployed, of whom about half are probably employable. But it did mean that, in certain categories, the nation faced scarcity rather than surplus. It did mean that the main job of the still rather young U.S. Employment Service suddenly began to correspond to its title. It did mean that, instead of careful measures—as, for instance, in the Tennessee Valley Authority—to avoid being besieged by workers on the road in search of a job, transfers of workers had to be arranged to staff many of the big new products.

In a number of categories the existing quantity of skill is being increased by supplement and by dilution. Short vocational courses are preparing youngsters in the high schools, on-the-job training and "up-grading" is being done in the plants. For the latter purpose, the Labour Division of the Defence Commission has divided the country into twenty-two industrial districts; in more than forty cities, a member of their staff, assisted by a panel drawn from labour and management, is forwarding this job.

Up to the present, the bottlenecks are localised and relatively few. But with the completion of the many plants now in the construction stage, pressure for highly-skilled mechanics will be sharply stepped up, and present methods of supply may require revision.

The current firmness in wages is in part—so far as concerns certain categories of skilled workers—a reflection of scarcity. In larger part, it is a reflection of the social legislation of the past eight years, and the require-

ment that compliance with this legislation should be a condition of receiving defence contracts. Four basic laws are included in these safeguards: the Walsh-Healy Act, providing for determination by the U.S. Department of Labour of a minimum wage rate on contracts over \$10,000; the Wagner Act, recognising the right to collective bargaining; the Fair Labour Standards Act, containing minimum wage and maximum hour provisions; and the Davis-Bacon Act, requiring the payment of prevailing wages on Government construction projects. A test of these provisions has just been terminated in respect of a contract for the manufacture of trucks, the award of which to the Ford Motor Company was withdrawn—after considerable discussion back and forth in Army Procurement and the Defence Commission—because Mr Ford, an outstanding opponent of labour organisation, declined to accept the conditions.

Board and Lodging

Among living costs, the main squeeze arising out of the new distribution of economic effort has to do with housing. The pressure of increased purchasing power caused food prices to advance 2.4 per cent. between December, 1939, and December, 1940, but about twenty foods are currently declared to be in surplus by the Secretary of Agriculture and therefore available for distribution through the Stamp Plan. But to the cumulative housing shortage—during the second half of the 1920's in 257 selected cities accommodation was provided for about 325,000 families annually; during the second half of the 1930's, for about 148,000—is now added an acute need for workers' homes in certain localities, near shipbuilding yards, aeroplane plants, etc., where the number of employees has been doubled and trebled in the course of a few months.

Construction around these sites is projected and in process under both public and private auspices, but the position on February 8th of public defence housing construction for civilian industrial workers—funds allocated for 68,432 units, 530 units completed—shows about where the matter stands.

A major difference between the position of labour in the current effort and in 1917-19 is the difference in the degree of organisation in defence industries. The coming of "industrial" unionism, with its inclusion of unskilled and semi-skilled, as well as skilled, workers in the union ranks, and the extension, under the Wagner Act, of organisation into such industries as automobiles, steel, textiles, rubber, glass, shipbuilding, electrical equipment, public utilities, aircraft, have greatly changed the picture of collective bargaining. Anti-union strongholds such as Ford and Bethlehem are coming to be exceptional.

The current three-way split in labour's forces, however, greatly lessens the force of organised labour. In spite of rank-and-file desire for unity, it became clear last autumn, at the time of the American Federation of Labour and Congress of Industrial Organisations' conventions, that a formula for unity was not a present possibility; the best obtainable arrangement was a precarious for-the-duration truce. At the CIO convention and the right took on major proportions.

Sponsoring Mr Willkie's candidacy during the last weeks of the campaign, when the tide appeared to have taken a Republican turn, Mr Lewis announced that he would resign if Mr Roosevelt were re-elected—thereby, as someone remarked, putting the country under the necessity of selecting two presidents, one for the nation and one for the CIO. Mr Lewis's opposition to involvement in the war, shared by the Communist wings of

various CIO. unions, and Mr Hillman's collaboration with the Roosevelt programme as a member of the Defence Advisory Commission, have deeply divided the CIO. for months. The convention merely glossed over that division, Mr Lewis's successor, Mr Philip Murray, long-time member of the United Mine Workers and able head of the Steel Workers Organising Committee, has not yet indicated where he stands.

Few Strikes

Recently, strikes in defence industries have been making headlines, and in conservative quarters growls about the conscription of labour are heard. As a matter of fact, strikes have been surprisingly few. In 1937, when a business upturn brought re-employment on a scale considerably less than the present, 4,740 strikes, involving 1,860,621 workers, caused 28,424,857 man-days of idleness. In 1939, there were 2,613 strikes, by 1,170,962 workers, lasting 17,812,219 man-days. For this past year, by contrast, the total is 2,450 strikes, 575,000 workers, 6,500,000 man-days idle. It is also interesting to compare these figures with those for 1916, with 3,789 strikes and 1,599,917 workers out, and 1917 with 4,450 strikes and 1,227,254 workers out.

The reason that there have not been more strikes lies, in part, in the machinery for settling disputes contained in various collective contracts, many of which have been recently renewed, and, in part, in the efforts of the Conciliation Service of the U.S. Department of Labour and the work of the Labour Relations Section of the Defence Commission, whose representatives have forestalled most of the 300 threatened stoppages since the beginning of the defence programme and helped the quick termination of such as have occurred.

Criticisms of the King Ministry

[FROM OUR OTTAWA CORRESPONDENT]

February 18th

THE Federal Parliament of Canada re-assembled on February 17th after an adjournment of about ten weeks. The Minister of Finance presented to the House of Commons ordinary non-war estimates for the fiscal year 1941-42 totalling \$433,131,000, which were classified as follows: ordinary account, \$417,103,000; capital account, \$3,453,000; special account, \$11,042,000; and Government-owned enterprises \$1,533,000. These figures represent a reduction of \$18,120,000 compared with the estimates for the current fiscal year, and it has been achieved in spite of increases totalling about \$25 millions, of which the most important items are \$10,700,000 for the new scheme of unemployment insurance and \$2,750,000 for the decennial census. He placed the total amount of the uncontrollable expenditures at \$268,102,732, of which \$151 millions were allocated to interest on debt and the balance to items such as war pensions, provincial subsidies, old-age pensions, etc.; he claimed that since the war began net savings of \$92 millions had been effected to reduce the controllable expenditures to roughly \$164 millions. He explained that the interest on the public debt had increased \$6,934,000 during the present fiscal year and would mount further next year. His most comforting disclosure was a forecast that the deficit of the Canadian National Railway system would be completely eliminated in the coming fiscal year and no provision is being made for it.

The King Ministry can count upon the co-operation of all the Opposition groups on all vital issues, but it can also expect a continuous barrage of criticism about the more unsatisfactory features of its war administration. For some time past Ottawa has been full of stories of serious friction and dissensions between certain Ministers and high officials and rumours of impending resignations. The chief storm centre of the rumours is the Ministry of Munitions and Supply, and there have apparently been acute differences of opinion on fundamental policies between Mr Howe, the Minister in charge of this department, and Mr H. R. Macmillan, a prominent business man from British Columbia, who is Chairman of the Wartime Requirements Board. Mr Macmillan has

To the careful investor

3% DEFENCE BONDS

invite your closest
investigation!

The careful investor insists that any security into which he is asked to put money shall pass the most searching examination. Defence Bonds stand up to any enquiry; the more critical it is, the more their merits stand out—but you can hold only £1,000

What interest do Defence Bonds pay?	3% per annum from date of purchase paid on May 1st and November 1st. Interest is liable to Income Tax, but tax not deducted at source.
How can I buy Defence Bonds?	In £5 units, or multiples of £5, from any Bank, Trustee Savings Bank, Post Office or Stockbroker, or by instalments, using 2/6 Savings Stamps, through any Savings Group.
Is my capital safe?	The British Government undertake to repay your capital in full at the end of seven years or at any time on 6 months' notice.
Do I get any premium when my Bonds are repaid?	For every £5 which you hold for its full life of 7 years you will get back £5.1.0.
Can I realise my capital readily in an emergency?	In case of private emergency you can cash your Bonds immediately, subject to a deduction equal to six months' interest.

Issued by The National Savings Committee, London

The OCEAN

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

FOR ALL CLASSES OF INSURANCE

THE BUSINESS WORLD

Wheat Supplies in 1940-41

THE war has played havoc with the international wheat trade. European Continental imports from overseas are restricted by the British blockade; Great Britain's supplies are menaced by the Nazis' attempt to cut her sea communications; and the great exporting countries, left with unsold surpluses, have been compelled to underpin growers' incomes by means of minimum prices and other devices. The war has also rendered it more difficult to appraise the wheat supply position with any degree of accuracy, but its main features are outlined in the latest issue of *Wheat Studies*, published by the Food Institute of Stanford University, California.

World supplies of wheat during the season ended July 1941 appear to be substantially higher than in preceding crop years. The distribution of these supplies (which include unsold stocks carried over from the preceding seasons) is shown below:—

WORLD WHEAT SUPPLIES (EXCL. U.S.S.R.)
(Million bushels)

Crop Year	North America	Australia Argentina	Europe			World (excl. U.S.S.R.) (b)
			Lower Danube(a)	Other countries	Total	
1935-36	1,260	428	336	1,623	1,959	4,525
1936-37	1,115	504	418	1,392	1,810	4,266
1937-38	1,176	481	401	1,306	1,797	4,370
1938-39	1,470	645	502	1,576	2,078	5,178
1939-40	1,628	610	529	1,631	2,160	5,378
1940-41	1,954	568	385	1,540	1,925	5,482

(a) Hungary, Yugoslavia, Rumania, Bulgaria. (b) Incl. other countries and net exports of U.S.S.R.

The large exporting countries are faced with a serious surplus problem. For the second year in succession Canada has had a very large crop, estimated at 551 million bushels, against 521 million in 1939 and 360 million in 1938. The United States, too, has had a fairly heavy crop, and, at 817 million bushels, it showed an increase of 66 millions over the previous year's. Argentina produced some 276 million bushels, against a poor crop of 119½ millions harvested in 1939-40, but Australia's harvest, at 92 million bushels, was a failure, and compares unfavourably with the yield of 210 million bushels in the previous season. The combined harvests of these four large exporting countries rose from 1,602 million bushels in 1939-40 to 1,736 millions in 1940-41. If the carry-over from the previous season is added, the combined wheat supplies of North America, Australia, and Argentina in 1940-41 amount to 2,522 million bushels, against 2,238 millions in 1939-40 and 2,115 millions in 1938-39. In every one of the four large exporting countries, the Government has had to

come to the assistance of the farmers by sustaining the market. Nevertheless, the prices realised in 1940 were substantially lower than in the preceding year in Canada, the United States, and Argentina. In Canada the average price—No. 3 Northern Manitoba—fell from 76.4 cents in 1939 to 67.7 cents per bushel in 1940; in the United States it declined from 98.3 cents to 83.0 cents per bushel for No. 2 hard winter wheat; and in Argentina it was reduced from 7.63 pesos to 6.75 pesos per quintal.

If anything, the quantity of wheat that these four countries will be able to export in the current season will be smaller than in 1939-40. During the first five months of the current season, from August to December, 1940, their net exports of wheat and flour were only 140 million bushels, against 200 millions during the corresponding period in 1939 and 169 millions in 1938. True, it is essential that large stocks should be available for distribution in Europe on the conclusion of peace. But the granaries are already bursting, and as the end of the war is not yet in sight the accumulation of further stocks seems as undesirable as it is unnecessary. The solution clearly lies in collaboration between the four major exporting countries. If, with the assistance of American finance, they can agree on a programme designed to limit production and to control the disposal of surplus stocks, there is no reason why the problem could not be solved. Isolated action, on the other hand, may lead merely to a further disorganisation of the market, to a collapse in prices and to political unrest in some of the countries concerned.

In contrast to the exporting countries, Great Britain's problem is how to bring adequate supplies of wheat into the country. According to *Wheat Studies*, the output of wheat in the British Isles amounted to some 74 million bushels in 1940, against 71 millions in 1939 and an average of 71 millions during the five years 1934-38. The same source estimates the United Kingdom's imports at 222 million bushels during the season ended July 1940, against 230 millions in 1938-39 and 195 millions in 1937-38. Present stocks of wheat are understood to be still substantial, while, in an emergency, it should be possible to make up a deficiency in wheat supplies by an increase in the consumption of home-grown potatoes, which are in ample supply. But the supplies of wheat, like those of other foods, of raw materials and of munitions from America depend on the defeat of the Nazi blockade, and however favourably the Battle of the Atlantic may proceed, Great Britain will clearly not be able to relieve the world wheat market of its surpluses.

The Continent's problem is similar to Great Britain's in that Nazi-controlled countries are subject to blockade. But the European mainland is much less dependent on imports of grain than the British Isles and, in the Northern countries at any rate, wheat is not as important a constituent of bread as in this country. Even before the war, Germany's rye consumption equalled that of wheat.

Last year's Continental wheat crops showed a reduction from the yield secured in 1939. *Wheat Studies* gives the following estimates:—

CONTINENTAL WHEAT PRODUCTION (Million bushels)			
	1934-38 average	1939	1940
Danube basin (old boundaries) (a) ...	302	454	300
Baltic (b) and Soviet Poland ...	52	57	45
Neutrals (c) and Greece ...	217	209	198
Italy ...	267	293	208
Germany and conquered areas (d) ...	628	627	515
Total ...	1,526	1,640	1,226

(a) Hungary, Yugoslavia, Rumania, Bulgaria.
(b) Estonia, Latvia, Lithuania.
(c) Spain, Portugal, Sweden, Finland, Switzerland.
(d) Greater Germany, Norway, Denmark, Holland, Belgium and all of France.

RISEING VALUES

All Fire Insurances effected at pre-war, pre-purchase Tax figures, should be increased.

THE
LIVERPOOL & LONDON & GLOBE
INSURANCE COMPANY LTD.

is at your service

Head Office.
1 Dale Street, Liverpool, 2

London:
(Chief Office): 1 Cornhill, E.C.3

Crops were undoubtedly lower in 1940 than in 1939 in the majority, if not in all, the Continental countries; and, except in Germany where they are rigidly controlled, average prices were generally higher. But actual supplies available in 1940-41 probably did not show a proportionate decline, for, as a result of the accumulation of emergency stocks, carry-overs into the current season must have been higher than a year earlier. The European rye, barley and oat crops are believed to have shown a smaller reduction than the wheat harvest, while in the Danubian countries an excellent maize crop appears to have partly offset the reduced wheat yield. The potato harvest is reported to have been satisfactory and will no doubt be used to make up deficiencies in bread grains. In Germany, the most important producer of potatoes, the crop appears to have given a yield larger than in 1939 and almost equal to the record harvest of 1937. So far as grains and potatoes are concerned, the total supplies at the command of the Nazis appear to be adequate to the essential needs of Germany and of the countries under her control. Indeed, the problem seems to be one of distribution rather than of a serious general shortage. Given the willingness to share available grains and potatoes and the requisite transport facilities, there is no reason why the Continent should starve before this year's harvests are brought in, though, as in Great Britain, the quality of the diet is likely to suffer. The considered opinion of the writers of *Wheat Studies* is:—

"If the German Government should set itself the task of supplying an adequate number of food calories to the entire population of the Axis-controlled territory of Europe ex-Danube, the task might possibly be performed satisfactorily during the current crop year. . . ."

Such an authoritative opinion should allay the fears of a well-meaning American public. If the people in occupied territories are made to starve, they must blame the callousness of the Nazis. So far as the remaining Continental neutrals are concerned, these will presumably continue to be allowed to import essential supplies of wheat and of other foodstuffs under the British navicert system.

Finance and Banking

Large Treasury Deposit Payments

Credit has become progressively scarcer this week and by Thursday all the large banks had withdrawn from the market as buyers of bills. The banks have again had to make heavy tax transfers, and their cash position has been considerably affected by the £40,000,000 Treasury deposit payments which they were called upon to make this week. This is £30,000,000 in excess of maturities and thus equals the highest net weekly payments since this new form of borrowing was instituted. One of the clearing banks made up its March balance-sheet this week and this fact also helped to disturb the credit position. Fortunately the market has been a meagre seller of bills following its small allotment at last week's tender and the scarcity of bank cash—reflected in the Bank return in a further fall in bankers' deposits by £14,929,000 to £95,187,000—has not made itself appreciably felt. It is interesting to note that the exodus of funds responsible for this exceptional paucity of bank cash has not gone to swell public deposits—which remain substantially unchanged at around £14,000,000—but to pay off Government debt. The fall of £16,450,000 in Government securities suggests a more conscious deflationary move than would a corresponding immobilisation of funds in Government accounts.

Treasury Bills Under 1 Per Cent.

For the first time since August, 1939, the Treasury bill rate has dipped below 1 per cent. The £65 millions of bills tendered for on Friday of last week were issued at an average rate of 19s. 11.79d. per cent. This fall of the average below the clearing banks' minimum money and bill-buying rates must be regarded as the immediate result of the discount market syndicate's attempt, begun a fortnight ago, to obtain larger allotments of bills by cutting the rate. The market's tenders did not bear direct responsibility for the drop in the rate below 1 per cent., since the syndicate would obviously stop its com-

So far as information is available Germany does not appear to have been unduly concerned with the sharing of bread grains on an equitable basis. In Germany, the ration is reported to be liberal. It provides for a weekly allowance of 85 ounces to "normal consumers," 119 ounces to grain-producing farmers, and 170 ounces to persons engaged on heavy work. Uniformly administered, these rations involve virtually no restriction on bread consumption. At the other end of the scale are Poland and Belgium, where bread purchases per head are restricted to about two-fifths to two-thirds of pre-war consumption. In all the other countries, the bread ration is between these two extremes, though almost everywhere the quality of the loaf has deteriorated, largely because of the admixture of other grains and, possibly, potatoes. Meanwhile, the Germans are devoting a good deal of energy to the increase in the production of foodstuffs in the current year. And as they are relying heavily on the use of forced labour and other devices designed to secure an increase in cultivation, it is possible that this year's grain harvest may exceed those of 1940 in some of the countries under their control.

In essence, the outlook for wheat is the same as that for sugar and other foodstuffs that are normally imported in large quantities by Europe. On the one hand, the large exporting countries, while holding substantial reserves for release to Europe and China after the war, are temporarily faced with heavy surpluses and low prices and with the consequent need for limiting output, preferably in collaboration with each other. Great Britain is temporarily compelled to reduce her intake of wheat; her tasks are to expand domestic production during the war and, in conjunction with the United States, to defeat the Nazis' attempt at cutting her sea communications. Nazi-controlled Europe, while forced to eat less wheaten bread, has sufficient grains and potatoes to carry it through this season without wholesale starvation, always provided that Germany is willing to shoulder her responsibilities towards the women and children in the countries she has so wantonly overrun.

petition for bills short of the point at which it began to run or resell its bill at a loss. But the cut in the syndicate rate for bills to something under one-sixty-fourth over 1 per cent. has impelled the official outside applicants to go one better in order to make sure of satisfying their requirements. Thus, last Friday, there must have been appreciable applications at £99 15s. 1d. for the 92-day bills in order to bring the average rate of discount under 1 per cent. The syndicate emerged from the tender with an allotment of 24 per cent. only. On that allotment, and at the rate obtained by the market, the total profit on the week's turnover in Treasury bills would be about £300. That will not go far towards covering the overhead expenses of the whole discount market. The market is more than ever dependent on the profits which it is earning on running its bond positions—particularly on the Conversion 2 per cents., with which it is so plentifully stocked.

Conversion Ban on the Discount Market

The partial removal of the ban on the conversion of municipal loans is likely to prove of some interest to



**FOR ALL
INSURANCE
NEEDS**

Head Offices:
LIVERPOOL LONDON
North John St. Lombard St.

the discount market. The search for interesting short-dated securities in the immediate pre-war period had led the market to acquire fair lines of the 4½ to 6 per cent. loans whose first optional maturity fell in 1940. The confident assumption was naturally made that these loans would be repaid at the first possible opportunity and that the purchase of such stock was a thoroughly justified discount market operation. The war and the ban on conversion operations upset these calculations, but caused no perturbation to the market. The stocks in question, bearing interest at rates ranging up to 6 per cent., began to give magnificent yields when allowed to run appreciably beyond their first redemption date, and the market has no doubt done very well out of this particular miscarriage of its plans. Since the conversion ban came into effect, it may be assumed that no additional purchases of such stocks have been made by the market. But it is interesting to note that this obstacle is now removed. All the loans in question can again be regarded as genuine shorts and as being eligible for discount market portfolios. It is, however, equally evident that it would not suit the convenience of the authorities to see a substantial proportion of the outstanding amount of these municipal loans acquired by holders who intended to run them as a short and to demand cash on maturity. The special provision for satisfying non-assented holders out of the Local Loans Fund was not inserted in the Treasury's plan for lifting the conversion ban in the special interests of money market houses. The authorities have not yet announced any restrictions against dealings in the maturing loans designed to avoid their wholesale acquisition by short-term holders. Perhaps they rely upon the memories of the compulsory conversion of the Conversion 4½'s held by the discount market to provide the required deterrent.

U.K. Orders in U.S.A.

The surprisingly full documentation on the position, present and prospective, of British gold and dollar assets has now been further enriched by a statement on British orders in the United States, submitted to Congress by Mr Harold Smith, the Budget Director. He pointed out that British Government orders were outstanding to the tune of \$2,700 millions, of which \$1,682 millions had already been paid for. The remaining liability for outstanding orders must clearly strain the available dollar balances of the Treasury, but, according to Mr Harold Smith's statement, relief may come by utilising part of the \$7,000 millions British aid appropriation under the Lease and Lend Act to pay for British orders placed before that legislation was enacted.

Chinese Exchanges

The exchange value of the Chinese dollar has shown renewed signs of weakness in the past few days and is plumbing fresh depths at around 3½d. Active assistance from the Chinese Stabilisation Fund has not recently been apparent. This may be due partly to the fact that the technical arrangements for switching the centre of official dealings between Shanghai, Hongkong and Chungking are far from completed. Another reason for the recent passive policy of the Control is probably to be found in the difficulties which have attended the operation of the recent £5,000,000 British credit to

China. Last December it was announced that Britain had arranged in principle to give China fresh credits totalling £10,000,000, of which half was to be made immediately available to the Chinese Stabilisation Fund. The operation of this £5,000,000 credit had, however, to be restricted in view of Britain's growing shortage of gold and U.S. dollars. Consequently, the amounts thus placed at the disposal of the Chinese Stabilisation Fund had to be specifically allocated for purchases within the sterling area and did not become available to swell the *masse de manœuvre* at the disposal of the Chinese authorities for operations in the free market of Shanghai. Negotiations are still proceeding for preventing sterling help to the Chinese Stabilisation Fund from feeding the Shanghai market, which remains the main loophole through the network of sterling exchange control. A solution of the problem may ultimately be found in a payments agreement with China, operated on the familiar technique of special accounts, but giving the Chinese holders of sterling greater latitude in the utilisation of these funds than is normally granted to the neutral countries with which such arrangements now operate. It should be evident by now that the task of supporting the Chinese dollar in what remains of the free markets must be in the main shouldered by the United States. The recent \$100,000,000 credit granted by the United States to China on the morrow of Japan's signature of the Treaty of Nanking, with its puppet government in China, shows that this responsibility is in fact being accepted. It suggests, moreover, that the Chinese Stabilisation Fund must be far from exhaustion, and that the recent weakness of the Shanghai rate is more a matter of conscious policy than unwilling and powerless acquiescence.

Mendelssohn Echoes

Echoes of the failure of Mendelssohn and Co., of Amsterdam, muffled and long delayed in their passage from German occupied territory, have reached London this week. The statement of assets and liabilities has been finally computed and details of the settlement announced by the liquidators. The deficit shown in this statement is not so serious as had at first been estimated. It amounts to Fl.23,692,313, compared with the figure of Fl.40,504,486, which appeared in the statement of assets and liabilities filed on October 31, 1939, in Amsterdam. The liabilities ranking on that date were put at Fl. 135,127,379. That figure may be assumed to have remained materially unchanged, and it is in the higher valuation of assets that must be found the reason for the substantial reduction in the deficiency. On the basis of the statement of claims filed in Amsterdam in October, 1939, secured creditors ranked for Fl.47,906,760. They will, of course, be paid in full. On the basis of the latest figure of the deficiency, the unsecured creditors should receive about 73 per cent. of the nominal amounts due to them. Creditors in guilders are being paid in Amsterdam, while those whose claims are expressed in foreign currencies are also to be paid in guilders at the pre-invasion rates—1.83½ to the U.S. dollar, 43.67 to 100 Swiss francs, 44.85½ to 100 Swedish crowns, 75.35½ to 100 reichsmarks and 7.46 to the pound sterling. The initial payments are to be made on a sliding scale under which creditors for Fl.1,000 and under will be paid in full, and those for over Fl.25,000 will receive immediately 50 per cent. of their claim.

Colonial Franc Rate

Two financial agreements have been signed this week between the British Government and the Free French authorities. They provide for the grant of credits necessary to finance the Free French forces and settle the rate of exchange between the French colonial franc and sterling. The rate chosen is 176.62½, which was the parity of the French franc in terms of sterling before the Franco-German armistice. The exchange agreement follows the lines of similar arrangements with Britain's other Allies. It provides considerable freedom in the use of the exchange proceeds of the French colonies' export trade. The bulk of their trade is expected to be transacted with the sterling area. But the colonies will be able to dispose freely of the other foreign exchange proceeds of their export trade and gold production. The external payments of the colonies will be under the control of the Council of Defence of the French Empire, which will be in a position to use the surplus of one territory to cover the deficit of another.

Investment

A Sentimental Rise

Mr Roosevelt's speech of a week ago, some evidence of success for British diplomacy in the Balkans, fresh reverses for Italian arms in Greece, and Mr Bevin's further disclosures as to plans for mobilising labour, probably all played a part in bringing about the general firmness of markets with which the week opened. The movement has been tailing off, and it is really rather surprising that there should be any net improvement, since company results, now coming forward, are none too encouraging. As the year progresses, accounts tend to contain nothing for the period of relative prosperity prior to June last, while they will shortly cover a period during the whole of which E.P.T. was at the full rate. These facts must have some effect, but, even if all goes as well as at present, it is not improbable that the new tendency to look ahead rather than backward will affect the investor's view of equities. It is tempting to argue that this has happened in the past week, but in point of fact the rise was almost entirely sentimental. The amount of business behind it is less than ever, and all that is established is that a moderate recovery has done little to bring in sellers. The next few weeks are likely to be of critical importance in determining the nature and scope of the next major move in prices. They should throw considerable light on the position of the Balkans, and on our ability to meet the U-boat menace, on the one hand, and the effects of the Budget and industrial concentration on the other. Meanwhile, the underlying financial factor continues to be the need for re-investment, with, behind it again, the prospect of a growing volume of unspendable income.

Municipal Conversions

The statement of the Chancellor, in reply to a question in the House on Tuesday, that the time had now come when facilities could be given for the exercise of conversion rights by local authorities on loans carrying interest over 4 per cent., puts an end to a ban which has run for fifteen months. During 1940, a score or so of towns and counties had the option of converting loans to a total of some £35,250,000, carrying interest between 4½ and 6 per cent. For reasons which have always been obscure, the Treasury considered that to offer new stock for cash or conversion would be harmful to its own borrowing operations, and decreed that repayment could only be effected out of accumulated reserves, with the result that, until the L.C.C. operation of end-January, which is not complete until April 1st, virtually all borrowers continued to pay high rates on stock whose average maturity date was September last. Including the L.C.C. issue, some £17,250,000 was repaid, leaving the £18,000,000 still to be dealt with. To this has to be added £15,000,000, whose earliest repayment dates fall between August 1st and October 1st next, a total of £32,750,000. The following table lists the stocks affected:

£ Mn.	Stock	Date	£ Mn.	Stock	Due
2-0	Corporation of London 4½	1940-85	0-6	Newport 6	1940-60
0-7	Birkenhead 4½	1940-60	1-0	Plymouth 6	1940-50
1-6	Bradford 4½	1940-60	1-0	Portsmouth 6	1940-50
0-5	Brighton 6	1940-60	0-5	Reading 6	1940-50
1-5	Bristol 6	1940-60	0-5	Swansea 6	1940-60
0-75	Derby 6	1940-60	3-0	Walsall 4½	1941-61
1-5	Essex 6	1940-60	3-0	Birmingham 5½	1941-61
0-65	Gateshead 6	1940-60	3-5	Hull 8	1941-61
0-5	Hastings 4½	1940-60	2-0	Liverpool 5½	1941-61
1-5	Kent 6	1940-60	0-5	Sheffield 5½	1941-61
2-0	Middlesex 6	1940-60	0-5	Stoke-on-Trent 5*	1941-61

* Repayable 1 August. * At any time on six months' notice. † Repayable 1 October.

As a minimum of three months' notice has to be given for all the 1940 maturities, it seems doubtful whether the whole can be dealt with by the end of the summer. Even now that the ban is lifted, the Treasury persists in its refusal to permit corporation issues for cash and in its refusal to include, in the forthcoming Sir Kingsley Wood intends to include, in the forthcoming

Public Works Loans Bill, power for the Treasury to make loans out of the Local Loans Fund up to the amount required to repay unconverted stock. It is a little difficult to understand why it should be of advantage to the Government to increase the supply of its own stock and reduce that of the local authorities, and the result will presumably be a further narrowing of the price and yield margin between the two classes, probably by a rise in corporation stock quotations. The main point is that local authorities are to be relieved of a burden, and that stockholders will have to seek new investments. Of the maturing stocks, some £12,000,000 carry 6 per cent., £9,000,000 5½ per cent., and £6,000,000 5 per cent., and the whole £32,750,000 an average of just under 4.45 per cent. It seems not improbable that, unless some fresh blow to equities is in preparation, part of the money released will go into that section of the market in the first instance.

Viscose Corporation Sale

The news of the sale of virtually the whole of the Courtauld interest in the American Viscose Corporation, a concern which they have built up over the past quarter of a century, can scarcely have come as a surprise to shareholders. It is now almost two months since Sir Edward Peacock went to America to negotiate such sales, and while some may feel that it should be possible to arrange for the pledging of assets, rather than their outright sale, the Government's policy has been clearly announced. So far, there is no clear indication what the company will receive for their holding, but the Treasury is to obtain £10 millions forthwith, and the view is expressed that the total realised will be well above £24 millions. The sterling price to be paid to Courtaulds is to be the subject of negotiations between the Treasury and the company, and, failing agreement, will be submitted to arbitration. The company will no doubt be justified in arguing that their subsidiary is being sold in a buyer's market and that they should receive more than the sterling equivalent of the dollar price. It would, however, be safer to place a conservative figure on their prospects and assume something of the order of £20 millions. Spread over the ordinary capital of 24 million units of 20s., this means 16s. 8d. per unit. It is, therefore, scarcely surprising that the price of the shares actually rose on the news by 4s. to 31s., despite the fact that the sale is, on any long view, a loss for the shareholders. The possibility that there will be a return of capital in the near future is being canvassed, but it is doubtful whether a repayment on the scale of even half the purchase price would find official favour. Probably a substantial part of the money will prove very useful after the war for the extension of the uses of rayon, nylon and other products, and the reconstruction of continental subsidiaries. Meanwhile, the pure supposition of a £20 million receipt gives a value of only 14s. 4d. per unit to the equity in the home business, the Canadian company and the numerous other subsidiaries, which would seem a conservative valuation, even with a period of wartime depression in prospect. It is impossible to assess the contribution which the Viscose Corporation has made to past profits, but some of Courtaulds' best results were secured before it reached the stage of paying dividends.

New High Level

The total of small savings reached a new high level for the year at £14,793,000 in the week ending March 11, surpassing the previous best total for 1941, that contributed in the week ending February 25th, by some £922,000. No true comparison is possible with the total for the corresponding week of 1940, which is shown as £6,535,000, exclusive of the increase in the balance due to Post Office Savings Bank depositors, but the March 11 figure, exclusive of the increase in the Post Office



TYPEWRITERS FOR NATIONAL SERVICE

H.M. Stationery Office ask all owners of typewriters to offer for purchase any which they can spare. These are urgently required for work of National importance. Offers of machines not more than 15 years old and in good working order should be made at once to:—

THE DIRECTOR OF SUPPLIES (S3E),
H.M. Stationery Office, Princes Street, S.W.1.
State name of maker, model and whether you wish to sell or loan.

balance, amounts to £9,145,000. It is not easy to assess the significance of the latest improvement in the small savings total, which is of course still below the figures of £15,730,000 and £16,106,000 for the last two weeks of November, 1940. The obvious conclusion is, of course, that the record of small savings during the current year is not such as to provide any prospect that Lord Kindersley's ambition for doubling last year's savings total of £475 millions during the current savings year will be realised. In fact, fluctuations of a few millions in the contribution to the war effort made by small savers are of little moment. The increase on the year remains a meagre portion of the rise in the wage bill it is designed to cover. Despite all possible stimulus, the weekly totals remain disappointingly low, and the public is moved to self-congratulation by the advertisement of meaningless new high levels. The prosecution of the war necessitates the transfer from private expenditure of a very high proportion of the national income. The present anti-social implications of unessential private spending—the effect on the price level and the hindrance to the change-over from peace to war production, which is only just gathering momentum—are by now well known. There is no avoiding the conclusion that the present combination of taxation and voluntary savings is not an effective means of restricting expenditure. And it is certain that, unless spending is effectively curtailed, the next increases in taxation will be met mainly at the expense of the voluntary thrift campaign.

Taxing Non-Residents

Holders of "Kaffirs," although exercising their privilege of grumbling at the further increase in taxation imposed in the Union budget at the end of last week, may compliment themselves on having escaped comparatively lightly with a rise from 11 to 16 per cent. in the special war levy. The amount they are called upon to provide is little more than 25 per cent. of the total increase in tax revenue provided for and means about a 10 per cent. increase in the taxation they pay. In a number of cases, it will be possible to offset this by working a very slightly higher grade of ore and the reduction in total dividends should not be substantial. In fact, were it not for political uncertainties, the shares might well stand higher, except for those of old mines, which will be unable to adjust the grade of ore. The decision of the Union Government to impose a discriminatory tax of 5 per cent. on the dividends of non-resident holders of all South African shares, is, however, quite a different matter. The yield of the tax is small, and the burden not extravagant, but the principle of taxing the absentee capitalist has a strong flavour of economic nationalism, which is particularly obnoxious when aimed at a country which has gone out of its way to foster South African trade, even during the present war emergency.

Company Notes

International Nickel Prospects

According to a cabled summary, the profits of the International Nickel Company of Canada, after all expenses including depreciation, but before deducting taxes, was U.S. \$56,675,475, which compares with \$48,169,587 for 1939, and is a high record except for 1937, when the amount exceeded \$60,650,000. Unfortunately, the story made familiar by United Kingdom results is repeated, but with rather less emphasis, and, after meeting income and franchise taxes, the net amount is \$35,544,772, compared with \$36,847,466, the tax appropriation being equivalent to \$1.45 per common share, against \$0.78 in 1939, and \$0.55 in the previous year. The corresponding figures for net earnings on the equity shares are \$2.30, \$2.39 and \$2.09 respectively. The results reflect the great expansion, first of our own, and later of U.S. war production, and one is left to suppose that only the more urgent peace-time requirements can be fulfilled. The prospect is that, in war or peace, so long as the wheels of industry are kept busy, there will be ample demand for nickel. Unfortunately, the outlook for the shareholder depends largely upon whether and when the Treasury decides to requisition his holding. Prior to the publication of the results, the

London price stood some 6½ points above London parity of the New York quotation. It improved further on the news and the margin widened to 7 points; it is almost as wide against Montreal. This argues a conviction that the shares will not be taken over, but figures, recently revealed, of this country's payments to Canada and the Dominion's to the United States suggest strongly that views on the matter may have to be adjusted. At 39½ ex dividend the return is just over 5 per cent. on the \$2 dividend paid for 1940, a yield which discounts a modest revival of distributable profits.

Special Steel Results

The preliminary statement of *Vickers* for 1940 indicates a wholly satisfactory year's progress. After provision for taxation at the higher standard rate, net profits are reduced only from £1,192,041 to £1,119,120. The allocation to contingencies reserve is maintained at £250,000, and, after repeating the 10 per cent. total payment on ordinary stock, the carry forward is up from £480,188 to £651,821. Clearly, the company has been working to capacity during the past year, and profit margins appear to have kept well abreast of rising costs and taxation. The full accounts of the *Firth-Brown* enterprise also show satisfactory results. The tax-free dividend is cut from a total of 17½ to 12½ per cent. for 1940, thus affecting a small saving in the total required for distribution, and the company has, in consequence, been able to raise the carry forward from £129,182 to £141,453. Total profits, after provision for tax and contingencies, show an expected decline from £712,581 to £619,647, due almost entirely to the demands of E.P.T., and the directors have had to provide £41,000 for additional taxation on the previous year's earnings. The depreciation provision is also higher at £175,000, against £150,000, thus causing a reduction in the surplus for ordinary capital from 29.9 to 19.7 per cent. tax free. The balance-sheet provides evidence of the increase in the company's productive activity last year. Stocks and work in progress stand at £1,920,721, against £1,324,300, while debtors show a normal rise from £875,623 to £1,457,534. Repayment of a temporary loan of £15,000 and the liquidation of £191,736 in British Government securities partially finances a higher total of cash at bank and in hand, at £664,246, against £289,537. The increase in creditors, including tax provision, amounts to £1,594,347, thus more than doubling the previous year's total at £3,020,138. The £1 ordinary *Firth-Brown* shares, at 61s. 3d. ex dividend, offer a tax-free yield of £4 1s. 7d. per cent., equivalent to £7 1s. 9d. per cent. less tax. *Vickers* 10s. ordinary stock, at 15s., yields £6 16s. 4d. per cent.

Further Electric Power Earnings

In a note in *The Economist* of a week ago, which discussed a number of electric power reports, it was pointed out that the earning capacity of the industry had suffered relatively little from war conditions, and that the impact of taxation is by far the most important influence in restricting equity surpluses. This impression is confirmed by the reports of three more leading companies for the calendar year 1940, *British Power and Light*, *Clyde Valley Electrical Power* and *Lancashire Electric Light and Power*. In the case of the first company, which has, of course, substantial interests in the London area, total consolidated revenue rose from £1,063,539 to £1,299,742. The holding company's tax liability increased from £88,250 to £127,500, and, with a decline in the available surplus from £104,215 to £85,768, representing a rate of 7.3 against 7.7 per cent., the directors have reduced the total ordinary payment from 7 to 6 per cent. and have thus been able to raise the carry-forward. Total net profits of *Clyde Valley* at £978,490 are supplied on a basis not strictly comparable with those of 1939. The charge for taxation increased from £204,277 to £354,215, and the equity surplus is reduced from £269,901 to £252,594, at which level it provides scant cover for the ordinary dividend, maintained at 8 per cent., which absorbs £252,000. Trading profits of *Lancashire Electric* and subsidiaries showed a moderate increase from £602,504 to £617,143, and here, too, the story moves in the same pattern. Increases in tax liability and also in depreciation provision, though only on a small scale, were sufficient to eliminate the

THE PENNSYLVANIA RAILROAD

SUMMARY OF ANNUAL REPORT FOR 1940

THE 94th Annual Report of the Pennsylvania Railroad Company covering operations for 1940 will be presented to the stockholders at the annual meeting on April 8, 1941. Operating revenues increased \$46,662,630 or 10.8% over 1939. Operating expenses increased \$31,553,843 or 10.3%. Taxes increased \$3,789,341 or 9.5%. Net income was \$46,238,250, an increase of \$14,205,725. Surplus was \$36,896,665, equal to 5.60% (\$2.80 per share) upon the outstanding Capital Stock (par \$50) as compared with 3.52% (\$1.76 per share) in 1939.

OPERATING RESULTS

	1940	1939
TOTAL OPERATING REVENUES WERE.....	\$477,593,408	\$430,930,778
TOTAL OPERATING EXPENSES WERE.....	338,454,678	306,900,835
LEAVING NET REVENUE FROM RAILWAY OPERATIONS OF.....	139,138,730	124,029,943
TAXES AMOUNTED TO.....	43,885,188	40,095,847
HIRE OF EQUIPMENT AND JOINT FACILITY RENTS WERE.....	8,754,056	6,629,768
LEAVING NET RAILWAY OPERATING INCOME OF.....	86,499,486	77,304,328
INCOME FROM INVESTMENTS AND OTHER SOURCES WAS.....	*41,335,655	36,864,230
MAKING GROSS INCOME OF.....	127,835,141	114,168,558
FIXED CHARGES, CHIEFLY RENTALS PAID TO LEASED ROADS, AND INTEREST ON THE COMPANY'S DEBT.....	81,596,891	82,136,033
LEAVING NET INCOME OF.....	46,238,250	32,032,525
APPROPRIATIONS TO SINKING AND OTHER FUNDS, ETC....	9,341,585	8,854,839
SURPLUS.....	36,896,665	23,177,686

*Includes dividend of \$5,000,000 in securities received from Pennsylvania Company.

Dividends aggregating 3% (\$1.50 per share) were paid during 1940, compared with 2% (\$1.00 per share) in 1939.

The Management recognizes its responsibility to give the stockholders salient facts relating to the Company's business, service, finances and other important matters, and does so through the medium of the Press and the annual report. Through the co-operation of the security holders, the public and the employees, your Company is able to give good service, pay good wages, meet its obligations and pay dividends.

M. W. CLEMENT, President

THE PENNSYLVANIA RAILROAD

SHIP AND TRAVEL VIA PENNSYLVANIA

Stockholders can obtain copies of the Annual Report from
J. Taney Willcox, Secretary, Broad Street Station Building, Philadelphia, Pa.

Industry and Trade

Rationing of Wool Manufactures

The Limitation of Supplies (Woven Textiles) (No. 7) Order brings the method of restricting woollen goods into line with that of other textiles by the control of sales to retailers. Hitherto, apart from hosiery and other goods specified in the November Limitation of Supplies Order, woollen goods were only controlled by the rationing of the raw material. Now, supplies of wool piece-goods and made-up goods during the period March 15th to September 30th are to be restricted to 30 per cent. of the quantity supplied in the period April 1st to September 30, 1939. This corresponds (except that the period is two weeks shorter) to quotas of 20 per cent. for cotton, linen and silk, and 40 per cent. for rayon. The changes in these quotas are shown below:—

QUOTAS FOR PIECE-GOODS AND MADE-UP GOODS (Bases: April–September, 1939, and October, 1939–March, 1940)				
	Cotton	Rayon	Linen	Wool
April–September, 1940	75	75	25	...
October, 1940–March, 1941	37½	66½	25	...
April–September, 1941	20	40	20	30

It seems rational to have all these textiles on the same footing, and the method of control at the retail end allows of a more considered direction of available supplies. It has also been announced that the existing fixed prices for wool and tops will remain in force till the end of June for materials required for the home trade, till August 15th for materials required for the yarn export trade, and till October 15th for materials for the production of fabrics for export. This decision should assist the trade in negotiating new business.

Waste of Tonnage

The principal criticisms of war-time shipping policy which appear in the annual report of the Liverpool Steam Ship Owners' Association had been made before, and have already been discussed in *The Economist*. There is, however, a matter of practice rather than of policy to which the report calls attention, which is highly disquieting because it is indicative of a slackness evidently very widespread among Government departments. Goods despatched by the various departments of state for consignment abroad frequently arrive, it is said, without previous advice, with inaccurate labels, or even with no labels at all, at the wrong berth, with cover notes lacking many of the essential particulars, and sometimes even without any indication of destination. More than once the suppliers have sent with the goods an advice concerning arrangements which proved to be entirely without foundation. This sort of thing is productive of just the sort of shipping delay which does the Nazis' own blockade work for them. Isolated incidents of this kind may be unavoidable; but if they occur frequently they indicate slackness among individuals or faulty organisation which cannot be allowed to continue.

Confectionery Control

The confectionery industry is forming two "war-time associations," one for the cocoa and chocolate branch of the industry, and one for the sugar confectionery side, to act as a channel of consultation with the Ministry of Food and to administer price control. Manufacturers will be required to join them, and the Food Ministry will be represented on them. Price control committees set up by the associations, with cost panels to advise them, will fix prices to be approved by the Minister. Wholesalers' and retailers' margins will be fixed in consultation with the appropriate associations. In order to increase the proportion of production in the lower-priced categories, the products of each branch of the industry will be classified into four groups, according to the prices charged last September. In March–April the proportion of production in the highest-priced group (Category IV) is to be reduced by two-fifths from the July–September, 1940, proportions, that in Category III by one-fifth; the proportion in Category II will be unchanged, except in special circumstances, while the balance of production will be added to Category I. It is hoped by this means to secure the fairest possible dis-

tribution of the limited supplies of confectionery whose manufacture can still be permitted.

Control of Cold Storage Industry

On January 17th the Ministry of Food announced its decision to extend its control over the cold storage industry. The terms recently negotiated between the Ministry and representatives of the industry provide for a levy on the more profitable concerns to enable the less fortunate ones to maintain operations. The former will be permitted to retain the direct costs of operating their plant, a rent allowance of 3d. per cubic foot of controlled storage space, a further 6d. per cubic foot, and 25 per cent. of the balance of the net profit made. The remainder of the net profit is to be paid into a Cold Storage Account controlled by the Minister of Food. This Account, which will have to bear the cost of administering the scheme, will be used to make up to stores that do not earn it a sum equal to their direct costs, a rent allowance of 3d., plus a further 2d., per cubic foot of controlled cold storage space. This is an ingenious scheme to prevent the closing down of plant for lack of finance.

Jigs, Tools and Gauges

An adequate supply of jigs, tools and gauges is essential to the expansion in the output of munitions. They enable many jobs in engineering to be done almost automatically by semi-skilled labour, which otherwise have to be carried out by highly-skilled workers by more complicated processes, often taking from ten to fifty times longer. According to a memorandum recently published by the Institution of Production Engineers the supply of these tools has not received the attention which is warranted by their importance in the war effort. Among others, the following remedies are therefore suggested. First, the tool-making industry should be accorded a high degree of priority in the allocation of labour, materials and machinery. Secondly, the Government should subsidise the expansion of the manufacturing capacity of efficient tool making firms. Thirdly, toolmakers who are not properly equipped or unable, for financial reasons, to make the best use of their resources should come under Government control. Fourthly, the Government should insist that concerns having their own tool rooms should meet their requirements as far as possible. Finally, if these measures should fail to produce the desired results, the setting-up of a "shadow" tool-making organisation should be considered. In view of the vital part played by small tools, the recommendations contained in this memorandum appear to merit careful consideration.

Lower Coastal Freight Rates

In view of the general upward movement of the prices of goods and services since the beginning of the war, it is satisfactory to learn that coastal shipping freight rates are to be reduced shortly as a result of a reduction in the war risk premium. It was found that the war damage to coastal vessels has been smaller than that suffered in the ocean trades and that consequently a separate rating of the risk was justified. As coastal tramp shipping has not been requisitioned, the shipowners have had to pay the war risk premium—which is paid by the Government in the case of requisitioned ships—and, at a rate corresponding to 28 per cent. per annum, this has been a very heavy burden. Coastal tramp freights are fixed by the Ministry of Shipping on the same general principles in regard to profits as have been laid down for requisitioned ships—i.e. an allowance for depreciation and interest at the rate of 10 per cent. per annum on the value of the ship. The reduction in war risk premium for coastal tramps is expected to bring a decline of 15 to 20 per cent. in freight rates; presumably, this will also apply to requisitioned coastal liners. Before the war the tramp tonnage engaged in coastal trade was estimated at about 750,000 gross tons and the volume of goods carried at some 80 million

tons per annum. The tonnage of liners engaged in coastal trade was then approximately one-third of the tramp tonnage.

Industrial Disputes in the United States

Now that democracy has its arsenal on the other side of the Atlantic, statistics of time lost by labour disputes in America are no longer of a purely academic interest. It is encouraging to learn from the *Economic Record* of the National Industrial Conference Board, that the number of strikes begun in 1940 was the smallest since 1936; the number of workers involved the smallest since 1932; and the number of man-days idle the smallest since 1930. The figures are as follows:—

EMPLOYMENT AND STRIKES IN THE UNITED STATES				
	Millions Employed	Strikes Beginning in Period	Thousand Workers Involved	Thousand Man-days Lost
1929	47.9	921	289	5,352
1930	45.2	637	183	3,317
1931	41.6	810	342	6,893
1932	37.7	841	324	10,502
1933	38.1	1,695	1,168	16,872
1934	41.0	1,856	1,467	19,592
1935	42.4	2,014	1,117	15,456
1936	44.8	2,172	789	13,902
1937	46.6	4,740	1,861	28,425
1938	43.6	2,772	688	9,148
1939	45.3	2,613	1,171	17,812
1940	47.0	2,450	575	6,500

Source: National Industrial Conference Board.

Less satisfactory is the fact that there was an upward tendency during the year in both the number and the severity of strikes. Moreover, the general indications for January, 1941, are that most of the strikes during that month were in plants working on defence contracts. On March 19th, however, President Roosevelt took steps to counteract this tendency by the creation of a National Defence Mediation Board to assist in the settlement of disputes in the defence industries.

COMMODITY AND INDUSTRY NEWS

Tan Liverpool cotton futures market will be closed at the end of the month. On March 19th the price of American middling cotton was 9.06d. per lb., the highest level since January 1940. It is supposed that the International Tin Committee, at its meeting on March 20th, discussed the continuation of the restriction scheme and the quota, but details were not available in time to be reported in this issue. Further measures have been introduced by the Minister of Food to increase the supply of seed potatoes for planting this season. The maximum price of cocoa butter has been fixed at 1s. 5½d. per lb., ex factory or warehouse, by an Order which came into operation on March 17th. This Order replaces the arrangements in force under the "Standstill" Order and takes into consideration the recent increase in the price of raw cocoa.

Liverpool Cotton Market to be Closed.—At its meeting on March 18th, the Liverpool Cotton Association agreed to accept the Government's decision in regard to the importation and ownership of cotton. The cotton futures market is to be closed at the end of the month, and purchases and distribution of raw cotton are to be dealt with for the Government by a company formed from representatives of the Liverpool and Manchester cotton associations. In their resolution, the Liverpool Cotton Association "desire formally to place on record their protest against the decision made, believing that many of the changes which are fore-shadowed are unnecessary and against the best interests of the cotton industry generally." However, they "give their assurance that they will co-operate loyally in carrying out the duties under the scheme."

Oilseed Market.—The oilseed market is more active than it has been for some

time. The Control is inviting further offers of Bombay linseed at recent limits, plus a special contribution to shippers, and requires further large quantities of Indian ground nuts, shipment April–June, late prices being indicated with varying special contributions added. India's new crop of linseed will soon be ready for shipment to this country.

Increase in Hay Prices.—The Hay (Control and Maximum Prices) Order 1941, increasing the maximum price of hay on sale by a grower in Great Britain by £2 per ton, came into force on March 17th. The new order forbids a grower to sell hay except to a consumer or to a licensed approved buyer of hay, makes the sale of hay by weight compulsory with certain exceptions, and controls sales of hay by auction. The price structure at the various stages of sale has been changed by the new Order in that the same maximum price now applies to all sales by a grower. Previously there was a higher maximum price for sales by a grower to a consumer than for sales by a grower to a merchant. In the case of meadow hay in stacks, the new prices vary between £7 10s. and £8 5s. per ton. It is hoped by this rise to encourage farmers who have hay to spare to put it on the market so that those who are short may benefit.

Further Rationing.—A new scheme of rationing a group of interchangeable foodstuffs has been brought into operation this week. The group is preserves, consisting of jam, marmalade, syrup and treacle, and the ration is a guaranteed minimum of 8 oz. per calendar month. After May 1st, by when it is hoped that supplies will be adjusted, retailers will be permitted to distribute whatever supplies they may receive above the minimum requirements of their customers. The implications of this new departure in

U.S. Aluminium Production

The output of aluminium, so essential in the manufacture of aircraft, is being rapidly expanded in the United States. According to the United States Bureau of Mines, production rose from 146,000 tons in 1939 to 184,000 tons in 1940. Moreover, the Aluminum Company of America decided last year to carry out a programme of expansion involving an outlay of \$150 millions on new factories, mills, machinery, dams, power projects and other items. By the middle of 1942 production is expected to exceed the annual rate of 700 million lb. (312,500 tons). In the view of Mr E. R. Stettinius, Jr., the output of virgin and secondary aluminium and the fabricating facilities of the industry will be able to take care of the British and American aircraft construction programmes for the next two years. By this spring American production is expected to exceed domestic consumption, and it should therefore be possible to increase exports to Great Britain. An open general licence for aluminium exports to this country has already been issued. The expansion in the output of aluminium has brought a marked increase in the demand for bauxite, the raw material of the industry. Domestic supplies, which are derived chiefly from Arkansas, increased from 375,000 tons (dried bauxite equivalent) in 1939 to 438,000 long tons in 1940. A further marked increase is expected in 1941, especially as production in Alabama, Georgia and Virginia may reach larger proportions. In addition to the domestic supply, large quantities have to be imported. Last year America's imports of bauxite reached 531,884 tons in the first eleven months, against 520,179 tons during the whole of 1939. Simultaneously, 75,750 tons (against 51,635 tons) were exported from the United States. While Dutch Guiana (Surinam) supplied 97 per cent. and British Guiana 3 per cent. of the imports, the great bulk of the exports was sent to Canada. The bauxite output of both British and Dutch Guiana has been increased fivefold within the past five years, and is still expanding at a rapid rate. As the Guianas are able to supply the growing American needs, no interference of production through a shortage of bauxite is expected.

rationing are discussed on page 374. Consumers must register with retailers before March 29th for the rationing of cheese. Arrangements are to be made for

(Continued on page 394)

"THE ECONOMIST" SENSITIVE

PRICE INDEX

(1935=100)

	Mar. 10, 1941	Mar. 11, 1941	Mar. 12, 1941	Mar. 13, 1941	Mar. 14, 1941
Crops	109.0	109.5	109.6	109.3	109.3
Raw Materials	171.1	171.0	171.1	171.5	171.8
Complete Index	136.5	136.9	137.0	136.9	137.0
	Mar. 31, 1937*	Aug. 31, 1939	Feb. 14, 1940	Mar. 14, 1941	Mar. 7, 1941
Crops	147.9	92.2	111.7	103.9	108.8
Raw Materials	207.8	122.9	163.9	168.4	171.1
Complete Index	176.1	106.4	135.3	132.3	136.4

* Highest level reached during 1932–37 recovery.

MERCHANT SHIPPING LOSSES THROUGH ENEMY ACTION

	Dec. 2, 1940	Dec. 30, 1940	Feb. 3, 1941	Sept. 3, 1940	Sept. 3, 1941
British:—					
Merchant ships:—					
Normal trading	215	101	222	1,575	1,524
Naval operations	...	...	...	71	...
Naval auxiliaries	16	...	5	151	66
Naval trawlers	1	2	1	17	11
Total	232	193	228	1,814	1,601
Allied	51	72	71	491	418
Neutral	13	3	3	786	124
Grand total	296	268	302	3,091	2,143

* Evacuation of the B.E.F. † Formerly commercial vessels, including drifters. ‡ Revised figures.

COMPANY MEETINGS

CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

REVIEW OF PAST YEAR'S OPERATIONS

STATEMENT BY MR V. A. GRANTHAM

The following is a summary of the statement by the chairman (Mr V. A. Grantham) to be submitted at the eighty-seventh ordinary general meeting of The Chartered Bank of India, Australia and China on April 2, 1941.

As war-time conditions may make it difficult for shareholders to attend our annual meeting, I have decided to give them the information regarding the past year's working of the Chartered Bank to which they are entitled, in the form of this printed statement which is being sent to them with the balance-sheet.

I should be lacking in my duty if I did not draw the shareholders' attention to the work of the staff both in London and abroad. The work they have had to do during the past year has been such as to call for the exercise of their best qualities, and has had to be performed, in many cases, in conditions of acute personal discomfort and difficulty. The board gladly recognises the efficiency, endurance and loyalty that have so signally contributed to the year's results, and I feel sure that the shareholders will wish to associate themselves with the board in this expression of appreciation.

In this connection I would like to add that political conditions in the Far East have at times caused us considerable anxiety, and our thoughts have been concerned not only with our business but with the personal safety of our staff. I can assure you that this matter has at all times received our closest consideration.

GENERAL

In normal times it has been the custom for the chairman to give in his speech an exhaustive review of trading conditions throughout the East; having regard, however, to the very abnormal times through which we are now passing, I am sure you will agree with me that there can be no point either in dealing at length with the past or in attempting anything in the way of a forecast as to what will happen to trade and commerce generally—even in the near future.

The main concern of the shareholders is to know how the bank has fared in these very difficult times and how we stand to-day, and I propose, therefore, to deal with the main features disclosed in the bank's balance-sheet and to add a few words with regard to matters of more general interest.

THE BANK'S BALANCE SHEET

A year ago my predecessor drew your attention to the effect of the war, with its resultant control of exchange and trade, on the business of a bank such as ours, engaged largely in the finance of international trade. Great as these disturbances then were, few can have foreseen how rapidly the war was to extend. The overrunning of Europe has brought us new problems of exchange and control closely affecting many of our branches in the Far East.

A secondary result has been the still longer period taken by the mails from our agencies, which has prevented us from receiving information in time to enable a balance-sheet to be presented to you in the usual form. The two items of the balance-sheet mainly affected by this are bills payable and bills of exchange, and we have had to work upon figures wired by our agencies with a consequent variation in the auditors' certificate.

I now come to the profit and loss account, and I am glad to say the result is better than in either of the previous two years. The figure is £400,159 15s. 10d., and we are fortunate in not having had to provide this year for depreciation on securities and other exceptional items. Needless to say, all necessary provisions have been made as well as those for taxation, both at home and abroad, and, in these days, this item of taxation is particularly heavy. Many of our branches bear local taxation, for which we do not obtain any relief when computing our liability to British taxation, so that some of our profits are in a sense doubly taxed.

The interim dividend paid last October absorbed £150,000, and it is proposed to pay a final dividend of 10 per cent. per annum for the half-year to December 31st last, costing a further

£150,000, to transfer £50,000 to the officers' pension fund, to write off premises account £50,000, and to carry forward the balance of £182,602 9s. 11d.

CONDITIONS IN THE EAST

In last year's review it was regarded as a heartening feature that recognition of the necessity for exports from this country had become almost general, and, despite the closure of many European markets, the export figures achieved during 1940 were impressive. In a total war, however, the principal role of exports must be to increase this country's ability to import the sinews of war, and the co-ordination of the country's export policy with the industrial war effort is now in progress.

The extension of this policy to all the countries within the sterling area has become of paramount importance, due to the necessity of conserving shipping space, and is leading to severe curtailment of overseas trade already affected by the war and by the danger of the extension of the war, in all the spheres in which the Bank operates.

In India the effect has been far-reaching, leading to restricted cultivation and production of many staple products. India's financial strength, however, is clearly shown in the recent redemptions of sterling loans in the London market and as an offset to the temporary loss of overseas markets for some of her products, the war is giving a great impetus to her industrial production. The meetings of the Roger Committee in Delhi are significant. India is, of course, primarily an agricultural country, but the war is hastening her entry into industrial production hitherto untouched by her, and we may expect her to derive benefit from this in years to come.

The special war-time demand for rubber and tin has brought an era of prosperity to Malaya.

The importance of a free and independent China as a stabilising factor in the Far East is being increasingly recognised, and her unweakened resistance, after nearly four years of war, reflects her determination to attain this end. Japan is now in possession of almost all China's sea-board, and international trade, mainly centred in Shanghai, is subject to ever-increasing restriction and control. Nevertheless, the volume maintained last year was considerable, but Japan's adherence to the Tripartite Pact and the threat of extended hostilities in the Far East has brought about further curtailment.

Japan's internal economy continues to be dominated by the immense burden of providing finance for her military requirements. This preoccupation, with all its far-reaching consequences and her continued involvement in the war in China, is hindering her ability to benefit from the greatly increased opportunities for peaceful trading, which, due to the absorption of other great trading nations in the struggle in Europe, would have been hers had normal relations with the outside world been maintained.

FUTURE PROSPECTS

While it is impossible, in the present unsettled state of the world, to know what may be in store for us, I may perhaps be permitted to conclude on a note of confidence. We have a fine business built up on sound foundations and widely spread, and while it must be borne in mind that a number of our branches are situated in countries that are uncomfortably near to the centre of events in the Far East, it is comforting to note that these branches have, up to now, been able to return satisfactory results and that our total figure of profit shows an improvement over that of 1939.

We have made full provision for every contingency up to date, and if adverse circumstances should arise at any particular point the shareholders may rest assured that every step has been taken in advance to minimise the effect of such circumstances.

We are fortunate in having a strong balance-sheet, and we may reasonably expect our business to stand up to any strain that may be put upon it.

THE BANK OF AUSTRALASIA

PROFIT AND DIVIDEND MAINTAINED

STRONG FINANCIAL POSITION

MR EDMUND GODWARD'S STATEMENT

The following is the statement by the chairman, Mr. Edmund Godward, circulated with the report of the directors and the balance-sheet of the Bank of Australasia for the year to October 14, 1940:

Throughout the financial year dealt with in the accounts the bank has been working under war conditions, and how these have affected Australia and New Zealand will be referred to later.

Your balance-sheet and profit and loss account are before you, and you will no doubt wish to have comparisons and explanations of the differences arising between the figures for 1939 and 1940. It will be seen that the aggregate total has risen from £56,222,000 to £59,365,000, which is a record figure, and the increase is accounted for by the augmentation of current accounts by £4,300,000. In such times as these, when Governments are spending heavily, one would naturally expect a large expansion under this heading. The large credits necessary to carry out the magnificent war efforts by Australia and New Zealand are spent principally on wages and payment for war material, and when disbursed the proceeds find their way through various channels to the trading banks as current accounts. To cover the credits the Government have to make public issues, and loans to the extent of £66,000,000 have been floated internally by Australia mainly for war purposes since the outbreak. Fixed deposits have fallen during the year by £764,000, the majority of the withdrawals probably having been for subscription to war loans.

Consequent upon the large increase in our total deposits it will be seen that our liquid assets have considerably strengthened, our cash balances having increased by £2,547,000, and our Australian and New Zealand Government securities, etc., have also been added to by £1,386,000. At the date of our balance-sheet we held in cash balances and securities (all but a small proportion of the latter being Government obligations) an amount equal to 45.54 per cent. of our total deposits, against 39.66 per cent. in October, 1939, and the proportion of our cash balances to total deposits has risen from 11.43 per cent. to 16.23 per cent.

ADVANCES

It will be seen that our advances have decreased from £36,534,000 to £35,798,000. This is probably largely due to the action of the Australian and New Zealand Governments in taking over the financing of the exportation of primary products. Moreover, the Government rightly controls bank advances to the end that they may be utilised for purposes of national interest.

Bank premises show an increase of £39,000, but expenditure has been restricted to what was considered essential to the maintenance of our business efficiency.

Turning to our internal liabilities, your capital of £4,500,000 remains the same, but you will notice that our reserve fund has been increased by £25,000 to £2,500,000. The £25,000 has been provided, not from current profits, but from a sum set aside many years ago to meet a contingency for which it did not become necessary to provide. Your directors thought the opportunity might now be taken to make your reserves up to the round figure of £2½ millions.

PROFIT AND LOSS ACCOUNT

Turning to your profit and loss account, the profit for the year, after the usual appropriations have been made, comes to approximately the same figure as last year, viz., £1,500,000. There has been a saving of £12,000 in salaries, due mostly to a number of the staff having joined the colours and who draw only a portion of their salaries during their war service. The only increase of £11,000 in general expenses in London has been caused almost entirely by the bank having to carry on its business on this side mostly in the country while still having to pay overheads in London and cost of provision for air raid precautions to comply with the Act.

Rates and taxes have increased by £36,000, and they will continue to increase. The war must be financed, and this is not the time to grumble, however much one was inclined to do so in pre-war days. Although our dividends are fortunately undiminished in the gross, but are subject to much higher income tax which decreases our personal income, all have to do their best to economise still further, for no one who has watched the evils of inflation in other countries wants it to ruin our Empire after the war has been brought to a successful conclusion.

TRADE CONDITIONS

The bank is able to pay the same gross dividend as last year, not only notwithstanding the large increase in taxation and overheads, but in spite of the fact that a large part of Australia has, throughout our financial year, been suffering from severe drought, which fortunately has been broken thoroughly since 1941 started. Of course, both Australia and New Zealand have benefited by the prices paid by the Imperial Government for such products as have been taken over. Wool, for instance, was appraised at just under 13½d. per lb. against the average price of just under 10½d. per lb. in the previous year. Against this must be put the increased cost of labour and the farmers' overhead costs. Last year Australia's wool cheque amounted to £65½ million sterling and that of New Zealand some £15 million sterling. It is not expected that last year's high level of production will be maintained in Australia, the official estimate of the 1940-41 clip being 3½ million bales, including 153,000 bales of skin wool, as compared with 3,600,000 bales in 1939-40.

The seasonal carry-over of wheat at June 30th last was 125,000,000 bushels. The chairman of the Wheat Board announced that out of 195,700,000 bushels of wheat delivered to the Board, 23,200,000 bushels remained unsold on December 31st. Latest estimates for 1940-41 indicate a wheat crop of 82,400,000 bushels.

The latest weather news is contained in the following cable received a few days ago from our superintendent:

"Season's conditions Australia and New Zealand now on the whole generally satisfactory, except Western Australia, where dry conditions prevail."

EXTENSION OF SECONDARY INDUSTRIES

As a result of the war Australia has been presented with a great opportunity to extend her secondary industries, not only in furthering her own interests in becoming more independent and self-reliant, but in order that she may supply essential war needs and be in a better position to manufacture for export to other countries after the war. War production has reached a high level, and the expenditure in this direction by the Commonwealth Government has greatly increased business activity.

The Federal Treasurer has lately introduced a record budget. Commonwealth Government expenditure from all sources is estimated at £276 millions (Aust.), of which £143 millions will be war expenditure in Australia. War expenditure overseas is estimated to be £43 millions.

As evidence of the determined measures taken by the Government it might be well to mention that the Commonwealth budget will absorb about 80 per cent. of the national income. With the State budgets added, total public expenditure in Australia in the current financial year is likely to be nearly 50 per cent. of the national income.

At our general meetings a vote of thanks to our staff, both overseas and in London, has always been passed. Perhaps, therefore, it would not be inappropriate to mention here that this year the difficult conditions under which the bank's work has been carried on entitle the staff to a very cordial vote of thanks, to your superintendent, Mr. Healy, and his staff in Australia, and to Mr. Cowan and his staff in London and Cobham, where work has not been entirely devoid of unwelcome excitement.

LONDON BRICK COMPANY, LIMITED

INCREASED TRADING PROFIT

The forty-first annual ordinary general meeting of the London Brick Company, Ltd., was held on the 18th instant in London.

Sir P. Malcolm Stewart, Bt., chairman of the company, in the course of his speech, said that the profit from trading amounted to £337,319, an increase on the previous year of £21,827, and interest and income from investments were down by £3,847. The total revenue at £354,325 was up by £17,981.

The year now reviewed had opened under the most unfavourable conditions. In addition to the adverse effects of the abnormal severity of the weather a collapse of the already poor demand was early experienced. However, to keep their staff and employees together and to provide for future contingencies, they had pursued a policy of producing to the maximum extent possible until such time as all stacking grounds became filled. Then a number of works had had to be closed down, no fewer than 250 millions of bricks having been put into stock. Whilst those conditions continued unsatisfactory trading results were recorded. They had prevailed until there was a marked increase of demand for factory construction and defence work and a belated demand for shelters and A.R.P. work.

PRODUCTION

By the end of the year the vast accumulation of stocks had been disposed of, apart from their floating stock of special bricks. That change, unlooked for in suddenness and magnitude, had justified the programme of production embarked on at a time when costly sand-filled jute sacks were preferred to bricks and shelter construction appeared to be all but dormant. Further, it had transformed the trading conditions and made possible the unexpected payment of an interim dividend at the end of last year.

The volume of production during the past year was unsatisfactory, and although it was exceeded by the deliveries, both showed a marked decline on the figures of 1939. The interruption to normal working caused by having to close and then to reopen works had not been costly, but placed a considerable strain on their works' executives, who had handled the situation well.

On the sales side of the business they had passed from a period of dearth of orders to a demand which, as stated, not only absorbed their production but had cleared the company's heavy stocks. They had generally been successful in keeping orders of high priority satisfactorily supplied. The Pressed Brick Makers Association had worked harmoniously where concerted action had been called for. It had been in close touch with the Director of Bricks of the Ministry of Works and Buildings, who was responsible for their industry.

WAGES AND LABOUR CONDITIONS

Under the ægis of the Pressed Brick Makers Association a piece of good constructive work had been done in August of last year through the formation of a National Conciliation Board, which fixed the rates of wages and the conditions of labour for their industry. That was a definite step forward, it was of immediate value, and as membership was on a 50-50 basis of representation of employers and the trade unions, there was a good prospect of a happy and harmonious solution of any problems that might arise affecting the workers engaged in the industry.

His forecast of the prospects for the current financial year must obviously be hedged with caution. Whilst it was probable that the demand might absorb for a time such production of bricks as could be attained, it must be borne in mind that they were faced with increasing difficulties of production, and it would be no easy task to maintain their present degree of efficiency. Assuming the strength of the existing demand continued, which he anticipated, then the results would depend upon their successfully maintaining their present rate of production, which so far showed an improvement on that attained last year. Provided they could achieve that and that they escaped the consequences of any of the direct major effects of the war, then they should be in a position to submit to shareholders when they next met results not less favourable than those obtained in the past year.

The report and accounts were unanimously adopted.

BOVRIL, LIMITED

NEED FOR ENCOURAGING SMALL INVESTORS

LORD LUKE'S SPEECH

Presiding at the forty-fourth annual general meeting of Bovril, Limited, held, on the 14th instant, in London, the Lord Luke, K.B.E. (chairman), in the course of his speech, said that although quite apart from Government orders the Bovril sales were much in excess of those in 1939, the increased cost of all materials and expenses (with the exception of advertising, which was reduced) resulted in the profit on trading being £21,200 down. Wages were, of course, up, and war commodity insurance was a much larger item this year. On the other hand, the company had not increased the selling price of Bovril, thus maintaining the same policy as during the last war, when the selling price remained unaltered.

As they already knew, the company's profit for the year 1940 was £263,860, to which had to be added the carry-forward from the previous year, £83,699, making a total of £347,559.

Out of the balance available, after meeting the fixed dividends, the company recommended a dividend of 5½ per cent. on the deferred shares, making, with the interim, 8 per cent. for the year, and suggested that £30,000 should be placed to reserve, leaving £33,809 to be carried forward to next year.

THRIFT AND THE SMALL SHAREHOLDERS

Lord Luke said he was glad to see that Lord Stamp spoke up for railway shareholders at the Midland meeting. Small investors with their thrifty habits were probably 80 per cent. of all the investors in this country; 80 per cent. of Bovril's 15,000 shareholders had holdings of 300 shares or less. These investors had in many cases holdings in other concerns, and in these difficult days for companies they did not get much of an average return, especially after taxation had taken its share. This was very unfortunate, for if there was one habit that should be encouraged now and in the hard years to come it was thrift.

EVERYBODY A FOOD SPECIALIST

He expected they would remember the witty doctor's definition of the difference between the general practitioner and the specialist—the G.P. being a man who knew less and less about more and more, while the specialist knew more and more about less and less.

In this sense he thought it could be said that we were all becoming food specialists nowadays. The quantity of some of our foods might be growing less and less, but—thanks to the experts of the Ministry of Food and others—we knew more and more about making the most, and the best, of the still very ample supplies that the merchant service and the Navy risked so much to bring us.

In this connection Bovril was proving of real and unique value on the kitchen front. Beef was a food rich in protein.

The flavour of Bovril was the concentrated flavour of beef retained in all its goodness, and available for making any less attractive dish appetising and tasty. It might not be generally realised just how concentrated this goodness was. In fact, it took no less than forty pounds of fresh beef to produce one pound of the essential beef flavour in Bovril. This was the explanation of the fact that very little was enough to enliven and enrich dishes made from the less expensive cuts of meat—or even completely meatless dishes—with the appetising flavour that belonged to beef alone.

TAKING A REEF IN THE SALES

As an increase in Bovril sales had become an inconvenience, it was something of a nuisance that sales had almost run away with the company of late. That they should have to try to reduce sales seemed a little topsy-turvy, but no one had any idea of the impediments that cropped up daily in the way of production.

If, as Lord Luke hoped, the war was over by the time of the next annual meeting, he would have pleasure in telling them some stories of the astounding difficulties surmounted by what remained of their staff and workpeople.

SCOTTISH POWER COMPANY, LIMITED

SERVICES WELL MAINTAINED

The thirty-first annual general meeting of the Scottish Power Company, Limited, was held, on the 14th instant, in Edinburgh.

Mr George Balfour, M.P. (the chairman), in the course of his remarks, said: I am glad to be in a position to-day to meet the members of this company with the directors' report and accounts which justify the opinion I expressed in my cautious forecast a year ago.

You will be interested to know that we increased our maximum demand, units sold and number of consumers, notwithstanding having to limit our activities to essential services.

One important matter I must mention relates to our capacity to supply post-war requirements when victory is ours. At the present time we must confine ourselves to winning the war, but we must be ready to act at once when the war draws to an end and men are being released from military duties. Planning ahead is essential, and especially in the case of our Grampian Hydro Electric property—so much so that three years ago at our annual general meeting I referred to the need for planning in advance for additional sources of supply.

POST-WAR REQUIREMENTS

The arrangements for the provision of additional water rights, to the north of our existing developments, were promptly completed. An application to Parliament would have been made in 1939, but owing to the outbreak of war we delayed the application. The time has now come, however, when, if we are not to be seriously hampered in providing for post-war requirements, we must take preliminary steps, and accordingly the Grampian Company has made an application to Parliament for the necessary powers to develop these additional water resources.

The forecast of three years ago, to which I have just referred, was correct, and we shall urgently require increased plant capacity to enable us to supply the additional demand, including provision for the development in the Highland area in which the new water power is located. The company will at all times give prior claim to any and all demands in the area and contiguous to the area in which the new development is situated. Indeed, it is the great desire of my colleagues and myself, when power is available, to tempt industry into the sparsely populated Highland district. You will remember that two years ago we offered to assist parties who wished to establish small industries in the Highlands.

SATISFACTORY OPERATION OF PLANTS

All our hydro-electric and steam plants operated satisfactorily throughout the year and our services were well maintained, as you have no doubt judged from what I have already said. I would remind you that we reduced our domestic charges in the June quarter, 1939, and I am glad to say we have been able to maintain the reduced charge and even look forward to further reductions after the war. The chief bugbear, as I have often mentioned before, is the uncertainty of the valuation for local rates. It is not sufficiently well known that this charge for rates has ultimately to be borne by the consumer. We cannot deflect energy to these matters meantime, but I hope when victory is achieved we shall be able to smooth out these difficulties on a sound and equitable basis.

We now supply all the cities, towns and boroughs within an area of nearly 13,000 square miles either in bulk or by direct distribution, except six, which includes two large cities. The six cities and towns which we do not supply have a total population of a little under 500,000, serving about 100,000 consumers in a total area of about 123 square miles, whereas the population in our area is 1,000,000 scattered over 13,000 square miles with nearly 100,000 consumers connected. In the six cities and towns we do not supply the aggregate population averages 4,000 per square mile, varying from over 15,000 to 2,000 per square mile. In the area we supply the population averages under 80 per square mile, and our distribution services run from the north of England to the north of Scotland.

The report and accounts were unanimously adopted, and it was resolved that a final dividend of 5½ per cent., less tax, be paid on the ordinary stock, making 8 per cent., less tax, for the year.

METROPOLITAN ELECTRIC SUPPLY COMPANY, LIMITED

SUPPLIES MAINTAINED

The fifty-fourth ordinary general meeting of the Metropolitan Electric Supply Co., Ltd., was held on the 19th instant in London.

Mr. George Balfour, M.P. (the chairman of the company), who presided, said that, briefly expressed, business during the year had been well maintained except in the London areas, where they, in common with others, had suffered considerable diminution in consumption due to evacuation and other causes. In view of the irritating conditions under which they worked it was a satisfaction to the directors and staff that, notwithstanding all the stirring events of the time, they were able to report that supplies to all their consumers had been properly maintained throughout the year.

The receipts shown in the London area had amounted to £518,875, compared with £539,826 in 1939 and £562,380 in 1938; on the other side of the account expenditure had increased £16,385, and he asked shareholders specially to note that rent, rates and taxes had increased from £48,907 to £70,201, making with the increase in the western area a total increase of £41,394. Total receipts in the western area had amounted to £1,552,144, compared with £1,226,103. Regarding subsidiary companies, the services of all had been satisfactorily maintained throughout the year, and all those subsidiary companies were not only operating efficiently up to date but showing satisfactory results.

With regard to the rating position he would mention that last year they had paid a total sum of £211,293 in local rates in all the companies owned and worked by this company, and the magnitude of that figure would impress when he mentioned that the total net sum paid to debenture and shareholders of the company was only £188,201.

From the balance available of £277,653 the directors recommend payment of a final dividend of 5 per cent. on the ordinary stock, making 8 per cent. for the year, and leaving to carry forward £127,653.

The report and accounts were unanimously adopted.

LANCASHIRE ELECTRIC LIGHT AND POWER COMPANY, LIMITED

SATISFACTORY OPERATIONS

The ordinary general meeting of the Lancashire Electric Light and Power Co., Ltd., was held on the 20th instant in London.

Mr. George Balfour, J.P., M.P., the chairman, first of all referred to the death of Mr. Alfred Shepherd, at one time chairman of the company and vice-chairman at the time of his death. Mr. Shepherd would be mourned by a wide circle of friends who knew and understood his sterling qualities and appreciated his genial Scottish character.

Notwithstanding the difficulties common to all they had every reason to be satisfied with last year's operations. Their subsidiary companies had increased their load, connected new business, and had sold more units than in the previous year notwithstanding the fact that they of necessity had limited their efforts to essential services and for the time being had abandoned the usual "business-getting" propaganda. They had not increased prices to consumers notwithstanding heavy increases in costs, the price of coal having increased nearly 50 per cent. in the last four years.

During these very difficult times, the Board had to be careful as to estimating their future from year to year under war conditions, and plan to be able to face with confidence any temporary falling-off in load after the war. Personally he did not anticipate any substantial drop, but it would be well to budget with that contingency in mind.

The gross profit of £256,549 was some £32,500 less than in 1939, accounted for by increased appropriations for income tax, depreciation and contingencies. There was an available balance of £101,634, from which the directors recommended the payment of an additional dividend at the rate of half per cent. on the 7 per cent. participating preference stock, making 7½ per cent. for the year, and of a final dividend of 5 per cent. on the ordinary stock, making, with the interim dividend, 7½ per cent. for the year, carrying forward £15,384.

The report was unanimously adopted.

BRITISH ASSETS TRUST, LIMITED

SUCCESSFUL RESULTS OF A DIFFICULT YEAR

MR A. W. ROBERTSON DURHAM'S REVIEW

The forty-third annual general meeting of the British Assets Trust, Ltd., was held in Edinburgh on Wednesday, March 19th, Mr A. W. Robertson Durham (chairman of the company) presiding.

In moving the adoption of the report and accounts the chairman said: Mr Basil G. Ivory is unable to be present to-day, as he is serving with H.M. Forces.

You will see that in the accounts now before you the previous year's comparable figures have been set out in the margin. It was felt that this would be a convenience to stockholders, and it is proposed to continue this practice in future.

INCREASED GROSS INCOME

The gross income for the past year amounted to £337,163, a very slight but satisfactory increase over the previous year's figure of £335,946. This figure includes the sum of approximately £3,858, before deduction of tax, received in respect of arrears of dividends and special dividends which might be considered to be of a non-recurring nature. On the payment side of the accounts there is little that calls for comment, the main difference being the large increase of income tax, which has risen from £109,072 to £130,744. After deducting management and other expenses, income tax, debenture interest and preference dividend there remains £48,454 available for the ordinary stock.

DIVIDEND AND BONUS

We recommend a dividend of 10 per cent. for the past year, and, in addition, a bonus of 2 per cent. Once again we are proposing to distribute 2 per cent. as a bonus and not as a regular dividend, as income prospects for the current year must be very uncertain and we cannot foresee how much may be available a year hence. This leaves a surplus of £15,184, and after the addition of £15,000 to the income reserve fund, which now amounts to £155,000, the sum carried forward is increased by £184.

From the balance-sheet you will see that we have again reduced the amount of terminable debentures outstanding, the reduction this year being from £483,257 to £450,707, and, in addition, deposits and loans are down by £45,000. We are very glad to be able to add once more to the income reserve fund, and, while we hope that it may not be necessary to encroach on this fund in the near future, it is comforting to have such a substantial reserve of this nature in existence.

INVESTMENT OF PROCEEDS OF AMERICAN AND CANADIAN STOCKS

The year has been one of great capital activity for the company. We have made new investments of approximately £1,428,000 during the period covered by the accounts. Practically the whole of this amount represents the proceeds of American and Canadian stocks which we have sold or which have been requisitioned by the Government; the sum received for the securities requisitioned amounted to approximately £970,000, and although many of the prices received were not entirely satisfactory, I am glad to say that on balance we realised a small capital profit. As you will see from the report we still have about 12 per cent. of our funds in U.S.A., but doubtless we shall hold few of these investments in a year's time.

(Continued from page 389)
certain agricultural workers and underground mine workers to receive a larger ration of cheese than other consumers. From the middle of April the consumption of milk will be reduced by one-seventh to increase the production of cheese and condensed milk. Caterers' supplies will be reduced, and bakers and flour confectioners will be required to dispense with its use. No restriction will be made on the supply to nursing and expectant mothers,

young children, invalids and hospitals.
Reduction in Poultry.—In view of the reduced amount of feeding-stuffs available for poultry, to encourage the culling of laying flocks of older hens, maximum producers' prices for United Kingdom boiling fowls were raised to 1s. 6d. per lb. from March 17th, and the retail price to 1s. 10d. To give producers of table poultry a reasonable opportunity to reduce their flocks and to encourage them to do so, maximum prices have been

fixed from March 17th for small chickens. For chickens weighing not more than 1½ lbs. rough plucked, untrussed and undressed, the producer is paid 3s. per bird, the wholesaler 3s. 2d., and the consumer pays 3s. 6d. The present maximum producers' prices will be reduced to a flat rate of 1s. 6d. per lb. on May 3rd for all poultry, including roasting chickens, ducks and geese. The promised reduction in egg prices of 2s. 6d. per 120 is to take effect from April 20th.

SHORTAGE OF SUITABLE INVESTMENTS

So far we have been able to reinvest our funds on satisfactory terms, but I am afraid that we shall have to face a reduction in our income when the balance of our American investments is realised, as it is becoming increasingly difficult to obtain stocks in any quantity, and yields are rapidly dwindling in the face of great competition for the small amount of stocks available. Increasing taxation on the one hand and limitation of production and restricted imports and exports on the other are also likely to lead to a reduction of income for the duration of the war.

We have made a valuation of our investments as usual, but in many cases prices are nominal, and too much importance should not be attached to the valuation. The table of distribution will, however, give some idea of how the money realised from American securities has been invested.

I hope that I shall be able to give you a satisfactory report in a year's time, but as 1941 is likely to have as many surprises as 1940 I shall make no forecast.

I move the adoption of the report and accounts, and payment of the dividend recommended therein.

The motion was seconded and adopted.

UNITED SERDANG (SUMATRA) RUBBER PLANTATIONS, LIMITED

MR H. ERIC MILLER'S REVIEW

The thirty-third ordinary general meeting of the United Serdang (Sumatra) Rubber Plantations, Ltd., was held on March 20th in London. Mr H. Eric Miller (the chairman), who presided, after referring to the domestic affairs of the company, said: During the year 1940 the world supplies of crude rubber amounted to over 1,400,000 tons, and were by far the greatest volume yet put out by the producing industry.

U.S.A. absorption of rubber averaged about 150,000 tons a quarter during the first three quarters and increased to 168,000 tons during the fourth quarter, a total of 619,000 tons in 1940, against 592,000 tons during 1939. It is likely to show a further increase during 1941. Automobile output—the principal consumer of rubber—increased to 4.5 million vehicles against 3.6 million vehicles in 1939.

United Kingdom absorption is estimated at over 140,000 tons, and was more than 20,000 tons higher than in 1939.

The absorption of the Continent of Europe during the first quarter of 1940 appears to have been in the neighbourhood of 70,000 tons. After the capitulation of France and the entry of Italy into the war the Continental imports fell sharply, and during the last quarter of 1940 are unlikely to have exceeded 2,000 tons, except for such quantities as may have been transported via Siberia.

The absorption of the remaining countries, measured by their net imports, amounted to about 153,000 tons, against 131,000 tons in 1939.

With supplies exceeding 1,400,000 tons and real absorption in the neighbourhood of 1,050,000 tons, the stocks outside the regulated areas have increased by roughly 350,000 tons during the year.

The advice we in this country have been given to guide our actions in the event of invasion is not to panic but to stay put, and I think that this advice is logically applicable to holders of rubber shares. It seems to me foolish in the extreme for anyone to sacrifice his interest in this great industry.

The report and accounts were unanimously adopted.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended March 15th, 1941, total ordinary revenue was £45,814,000, against ordinary expenditure of £94,321,000 and issues to sinking funds of £145,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £2,319,063,000 against £693,690,000 (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 Mar. 16, 1940	Apr. 1, 1940, to Mar. 15, 1941	Week ended Mar. 16, 1940	Week ended Mar. 15, 1941
ORDINARY REVENUE					
Income Tax	510,500	373,800	491,631	10,241	16,531
Income Tax Sur-tax	83,000	63,840	71,077	3,670	3,090
Estate, etc.	88,100	72,790	77,292	1,270	2,132
Duties	19,000	15,930	12,318	250	100
Stamps	25,270	22,255	460	400	
V.D.C.	70,000	10	66,063	5	3,420
P.T.					
Other Inland Revenue	1,000	1,230	901	29	162
Galla Rev.	769,000	552,800	741,537	15,916	25,855
Loans	309,350	251,470	294,006	6,715	8,953
Base	213,550	132,401	203,795	3,581	9,195
Not Customs and Excise	522,900	383,871	497,801	10,296	18,148
Misc. Receipts	35,000	33,748	37,835	348	160
P.O. (Net Receipts)	13,291	6,952	11,278	...	1,578
Crown Lands	1,150	1,210	1,050	...	...
Receipts from Sundry Loans	5,000	4,916	1,971	...	78
Misc. Receipts	12,250	17,379	25,586	287	15
Total ordinary revenue	1,380,191	1,000,876	1,317,058	26,847	45,814
SELF-BAL. Post Office & Broadcasting	86,422	76,748	84,972	1,250	372
Total	1,466,613	1,077,624	1,402,030	28,097	46,186

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1940-41	Apr. 1, 1939, to Mar. 16, 1940	Apr. 1, 1940, to Mar. 15, 1941	Week ended Mar. 16, 1940	Week ended Mar. 15, 1941
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	230,000	220,203	219,649	1,309	...
Payments to N. Ireland	9,400	8,281	8,455	...	...
Other Cons. Fund Serv.	7,600	6,746	7,126	...	5
Total	247,000	235,230	235,230	1,309	5
Supply Serv.	373,612	144,854	338,958	47,439	94,316
Total Ord. Expenditure	398,312	168,374	362,473	48,768	94,321
SELF-BAL. Post Office & Broadcasting	86,422	76,748	84,972	1,250	372
Total	408,954	176,042	379,970	50,018	94,693

The 1939 figures include expenditure out of defence loans.

After decreasing Exchequer balances by £411,574 to £2,663,621, the other operations for the week (no longer shown separately) raised the gross National Debt by £49,845,360 to about £11,261 millions.

OTHER ISSUES (NET)

Interest (Defence Loans)		1,564
Overseas Trade Guarantees		67
Total		1,631

OTHER RECEIPTS (NET)

Land Settlement Facilities	26
----------------------------	----

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1940, to March 15, 1941, are:—

Ordinary Exp. (£ thousands)		Ord. Revenue (£ thousands)
Incl. in balances	289	Gross, 1,317,057
		Less: Sinking fds. 11,383
		Net borrowing, 2,306,816
		Misc. receipts (net) 1,134
		Total 3,625,007

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1940						
Mar. 16	781-0	673-6	56-3	...	...	1490-9
Dec. 7	845-0	...	Not available	...	...	...
" 14	845-0	...	"	"	"	"
" 21	845-0	...	"	"	"	"
" 31	2151-8	...	86-0	50-5	338-0	2026-3
1941						
Jan. 11	845-0	...	Not available	...	...	...
" 18	845-0	...	"	"	"	"
" 25	845-0	1340-7	96-1	...	366-0	2647-7
Feb. 1	845-0	...	Not available	...	...	...
" 8	845-0	...	"	"	"	"
" 15	845-0	...	"	"	"	"
" 22	845-0	1369-4	165-5	...	355-0	2734-9
Mar. 1	845-0	...	Not available	...	...	...
" 8	845-0	...	"	"	"	"
" 15	845-0	...	"	"	"	"

TREASURY BILLS

Date of Tender	Amount			Average Rate	Per Cent. Allotted at Min. Rate
	Offered for	Applied	Allotted		
1940					
Mar. 15	50 0	99 8	50 0	20 5 23	43
Dec. 6	65 0	140 7	65 0	20 1 99	54
" 13	65 0	144 0	65 0	20 1 25	33
" 20	65 0	130 8	65 0	20 2 15	38
" 27	65 0	143 8	65 0	20 1 62	31
1941					
Jan. 3	65 0	133 3	65 0	20 2 03	88
" 10	65 0	134 7	65 0	20 2 01	36
" 17	65 0	146 0	65 0	20 1 23	27
" 24	65 0	139 4	65 0	20 4 04	28
" 31	65 0	150 7	65 0	20 2 84	100
Feb. 7	65 0	149 4	65 0	20 3 39	10
" 14	65 0	142 5	65 0	20 4 23	23
" 21	65 0	139 1	65 0	20 4 43	28
" 28	65 0	160 5	65 0	20 3 43	15
Mar. 7	65 0	151 2	65 0	20 0 17	42
" 14	65 0	153 8	65 0	19 11 79	24

On March 14th applications at £99 14s. 11d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 24 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £95-0 millions of Treasury bills are being offered on March 21st. For the week ending March 22nd the banks will be asked for Treasury deposits to the maximum amount of £40 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

Week ended	N.S.C.			3% Def. Bonds			2½% New Bonds			3% Sav. Bonds		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Feb. 11	4,407	3,651	130	12,293	5,935							
" 18	4,273	3,870	25	19,766	6,545							
" 25	4,602	4,661	47	8,927	4,920							
Mar. 4	4,475	3,615	8	8,952	6,314							
" 11	4,518	4,627	1	9,472	6,490							
" 18	...	...	...	9,217	4,969							
Totals to date	242,363	238,872	444,418	121,454	69,102							

* 68 weeks. † 39 weeks. ‡ 11 weeks.
Interest free loans received by the Treasury up to March 18th amounted to a total value of £29,927,599. Up to February 22nd, principal of Savings Certificates to the amount of £30,072,000 had been repaid.

BANK OF ENGLAND RETURNS

MARCH 19, 1941

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt	11,015,100
In Circulation	608,420,399	Other Govt. Securities	615,918,422
In Bank Department	21,821,176	Other Secs.	3,057,470
		Silver Coin	9,003
		Amt. of Fid. Issue	630,000,000
		Gold Coin & Bullion (at 188s. per oz. fine)	241,575
			630,241,575

BANKING DEPARTMENT

£		£	
Props. Capital	14,553,000	Govt. Secs.	129,832,838
Reserves	3,543,303	Other Secs.	6,144,939
Public Depts.	14,742,020	Securities	21,045,037
Other Depts.		Notes	27,185,996
Bankers	95,187,080	Gold & Silver Coin	21,821,176
Other Accts.	52,053,214		1,234,607
			180,078,617

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

THE WEEK'S CHANGES

Both Departments	Amount		Compared with	
	Mar. 19, 1941	Last Week	Last Year	
COMBINED LIABILITIES				
Note circulation	608,420	...	...	+ 67,780
Deposits: Public	14,742	+ 3,301	...	+ 34,742
Bankers	95,187	+ 14,330	...	+ 2,931
Others	52,053	+ 1,939	...	+ 10,297
Total outside liabilities	770,402	+ 15,568	...	+ 40,404
Capital and reserves	18,096	...	...	+ 91
COMBINED ASSETS				
Govt. debt & securities	750,766	+ 10,515	...	+ 40,847
Discounts and advances	6,145	+ 146	...	+ 1,073
Other securities	24,103	+ 838	...	+ 5,148
Silver coin in issue dept.	9	...	...	+ 504
Coin and gold bullion	1,476	...	...	+ 152
RESERVES				
Res. of notes and coin in banking department	23,056	...	...	+ 17,628
"Proportion" (reserve to outside liabilities in bank. dept.)	14.2%	+ 1.2%	...	+ 7.2%

COMPARATIVE ANALYSIS

OVERSEAS BANK RETURNS

NOTE—The latest returns of the Bank of Finland appeared in "The Economist" of Dec. 9th, 1939; Norway, of Apr. 13th, 1940; Denmark, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Switzerland, of June 15th; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Mellie Iran, of Nov. 23rd; Lithuania, of Nov. 30th; Roumania, of Feb. 8th; Egypt, Reichsbank, International Settlements, of Feb. 15th; Roumania and South Africa, of Feb. 22; Australia, of Mar. 1st; Hungary, Portugal, and Turkey, of Mar. 8th; Bulgaria, Canada, Japan, New Zealand, Yugoslavia, and Prague, of Mar. 15th.

U.S. FEDERAL RESERVE BANKS

Million \$'s	Mar. 1940	Feb. 1941	Mar. 1941	Mar. 1941
12 U.S.F.R. BANKS	13,277	13,277	13,277	13,277
RESOURCES				
Gold Certifs. on hand	15,933	10,901	20,030	20,103
and due from Treas.	16,305	20,308	20,360	20,442
Total reserves	32,238	31,209	40,390	40,545
Total cash reserves	32,238	31,209	40,390	40,545
Total U.S. Govt. secs.	2,477	2,184	2,184	2,184
Total bills and secs.	2,477	2,184	2,184	2,184
Total resources	19,637	23,476	23,559	23,612
LIABILITIES				
F.R. notes in circ.	4,882	5,977	6,040	6,047
Excess m. bank res.	5,780	6,540	5,440	6,480
Mr. banks res. dep.	12,439	14,175	14,136	14,211
Govt. deposits	526	368	391	421
Total deposits	13,719	16,294	16,299	16,381
Total liabilities	19,637	23,476	23,559	23,612
Reserve ratio	87.7%	91.2%	91.1%	91.1%
BANKS AND TREASURY:				
RESOURCES				
Monetary gold stock	18,282	22,170	22,327	22,318
Treas. and bk. currency	2,953	3,101	3,103	3,106
LIABILITIES				
Money in circulation	7,463	8,725	8,805	8,811
Treas. cash and dep.	2,888	2,572	2,583	2,617

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

	Feb. 1940	Jan. 1941	Feb. 1941	Feb. 1941
ASSETS				
Loans, total	8,516	9,308	9,337	9,377
Investments	14,686	16,368	16,747	16,871
Reserve with F.R. bks.	10,214	12,111	11,611	11,640
Due from domestic bks.	3,107	3,352	3,314	3,351
LIABILITIES				
Deposits: Demand	19,062	22,932	22,708	22,981
Time	5,280	5,425	5,452	5,452
U.S. Govt.	573	237	353	354
Inter-bank	8,948	9,726	9,685	9,667

CENTRAL BANK OF ARGENTINA

Million paper pesos	Jan. 1940	Dec. 1940	Dec. 1940	Jan. 1941
ASSETS				
Gold at home	1,224	1,071	1,071	1,071
Other gold & for exch.	174	257	258	114
Non-int. Govt. bonds	119	119	119	119
Treasury bonds	396	395	395	395
LIABILITIES				
Notes in circulation	1,164	1,180	1,224	1,201
Deposits: Government	200	129	106	114
Banks	426	457	437	454
Certs. of participation	119	119	119	119
Reserve ratio	77.8%	75.0%	75.1%	75.1%

BANK OF GREECE.—Million drachme

	Nov. 1939	Dec. 1940	Nov. 1940	Nov. 1940
ASSETS				
Gold and for exch.	3,902	4,955	6,007	8,087
State sec. in for. exch.	123	122	122	122
Bills discounted	72	681	691	692
Advances	11,045	13,254	16,538	16,136
State debt	4,084	3,963	3,927	3,927
LIABILITIES				
Notes in circulation	9,386	10,426	12,705	13,540
Dep. and current accts.	11,095	12,501	14,541	14,880
Foreign exch. liabilities	389	563	1,161	1,508

BANK OF SWEDEN.—Million kronor

	Dec. 1939	Nov. 1940	Dec. 1940	Dec. 1940
ASSETS				
Gold reserve	589.9	658.0	672.1	671.9
Secondary cover:				
Swedish assets	644.8	673.5	677.8	736.9
Foreign assets	390.0	800.6	749.3	749.8
LIABILITIES				
Notes in circulation	1,422.2	1,393.6	1,454.9	1,481.8
Deposits: Government	266.9	267.0	105.4	106.9
Banks & others	157.5	188.3	206.6	328.8

§ Including "gold abroad not included in gold reserve."

RESERVE BANK OF INDIA

Million rupees	Mar. 1940	Feb. 1941	Feb. 1941	Mar. 1941
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	570	317	325	327
Balances abroad	267	663	672	767
Sterling securities	1,135	1,405	1,405	1,405
Indian Gov. rupee secs.	384	496	496	496
Investments	59	70	71	71
LIABILITIES				
Notes in circ.: India	2,287	2,326	2,323	2,370
Burma	148	171	172	371
Deposits: Govts.	191	283	320	428
Banks	151	463	458	428
Reserve ratio	62.3%	69.5%	69.3%	69.4%

MONEY MARKET STATISTICS

EXCHANGE RATES

The following rates fixed by the Bank of England remained unchanged between March 13th and March 19th. (Figures in brackets are par of exchange.)

United States. \$ (4-86) 4-02-03; mail transfers 4-02-03; Canada. \$ (4-86) 4-43-47; mail transfers 4-43-47; Switzerland. Francs (26-22) 17-30-40; Sweden. Krona (18-159) 16-85-95; Argentina. Peso (11-46) 16-95-17-13; mail transfers 16-95-17-15; Dutch East Indies. Florin (12-11) 7-58-62; mail transfers 7-58-64; Dutch West Indies. Florin 7-58-62; mail transfers 7-58-64; Portugal. Escudos (110) 99-80-100-20; Panama. \$ (4-02-04) mail transfers 4-02-04; Manila. Peso 8-09-12; mail transfers 8-09-13.

Rates Fixed for Payment at Bank of England for Clearing Offices

Spain. Peseta (25-22) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey. L.T. (1-10) 5-20.

Market Rates

The following rates remained unchanged between March 13th and March 19th: — Greece. Drachma (375) 515 sellers. Finland. Mark (193-23) 180-210. Egypt. Piastres (97) 97-1. India. Rupee (18d. per rupee) 17-18-18. Hongkong. 14-15-15d. per \$ Japan. Yen (24-55d. per yen) 13-14-14. Yugoslavia. Dinar (276-32) 155 sellers; trade payments 200 sellers. Singapore. \$ (28d. per \$) 28-1/2-1/2. Colombia. Peso 6 (nominal). Belgian Congo. Francs 176-1/2. Shanghai. (Mar. 13-17) 3-1/2-1/2. (Mar. 18-19) 3-1/2-1/2. & d. per \$.

SPECIAL ACCOUNTS are in force for the following countries and no rate of exchange is accordingly quoted in London: Hungary, Turkey, Brazil, Chile, Uruguay and Peru.

Forward Rates

Forward rates for one month have remained unchanged as follows: — United States. 1 cent pm. par. Canada. 1 cent pm. par. Switzerland. 3 cents pm. par. Sweden. 3 ore pm. par. Dutch East Indies. 1/4 cents pm. par.

MONEY RATES. LONDON

The following rates remained unchanged between March 13th and March 19th: — Bank rate, 2% (changed from 3% October 26th, 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, 1-1/2%. Short loans, 1-1/2%. Bank deposit rates, 1/2%. Discount deposits at call, 1/2%; at notice 1/2%.

SHORTER COMMENTS

Westbourne Park Building Society. — Investment shares, December 31, 1940. £11,213,771 (£11,558,107). Dividend six months to June 30, 3 1/2 per cent. per annum and for six months to December 31 at rate of 3 per cent. per annum. Deposits, £1,111,373 (£1,339,961). To General Reserve No. 1, £3,500 (£35,000). To Reserve Fund No. 2, £25,918 (£14,932). To Staff Provident Fund, £1,115 (£1,111). Carry forward, £9,122 (£5,917). Reserve and Undiv. Profits, £1,034,122 (£1,002,417). Total assets, £13,462,340 (£14,092,349).

Canadian Celanese, Ltd.—The Re-

port for 1940 states that Dominion and other taxes amounted to \$1,018,431, an increase of \$466,706 over 1939. Net profit 1940, \$1,341,429 (\$1,876,595) equal to \$2.21 per common share. Capital expenditure 1940, \$1,100,000. Dividends paid, \$1,310,777, of which \$494,777 was paid to Common shareholders, equal to \$1.90 per share.

Halifax Building Society.—Total assets, December 31, 1940, £125,068,992. (£129,137,994). Share and deposit funds, £118,505,404. Advances, £1,976,850. Mortgage assets, £100,539,381, an average of £403 per account.

Liquid funds invested in Trustee

Securities, together with cash, £23,833,977, an increase over 1939 of £1,897,589. Included in the closing figure for year 1940, £26,113,837, representing cash.

The Society's Reserve Funds and Undivided Profit amount to £5,992,788.

Temperance Permanent Building Society.—The report for 1940 shows that the share capital has increased and stands at £3,363,871. Deposits show a reduction and stand at £1,696,680. Mortgage assets stand at £5,917,490. Total assets £6,123,409. Reserve and contingency funds together with the balance carried forward amount to £1,057,000 representing 20.8 per cent. of the combined share and deposit capital.

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.
Electric Lighting, etc.		£	£	£	£	£	£	%	£	£	£	%	
British Power and Light	Dec. 31	271,390	...	135,793	219,171	50,025	70,035	6	...	+ 15,733	280,378	163,015	7
Clyde Valley Electrical ...	Dec. 31	978,490	...	(e) 580,593	739,808	58,000	252,000	8	250,000	+ 593	969,141	627,901	8
Lancashire Electric	Dec. 31	256,549	...	199,171	213,983	73,516	125,063	7 1/2	...	+ 592	289,008	223,960	7 1/2
Financial, Land, etc.													
City Offices Co.	Dec. 31	78,023	...	3,209	5,688	1,299	...	...	...	+ 1,910	79,099	7,593	3
Mulliners (Holdings)	Dec. 31	12,754	...	6,412	16,021	10,041	4,313	10	...	+ 7,942	24,942	15,080	10
Sackville Estates	Dec. 31	24,427	...	7,279	23,782	...	5,175	3	5,000	- 2,896	29,224	11,114	4 1/2
Iron, Coal and Steel													
Bairds & Dalmellington	Dec. 31	218,539	...	208,539	373,213	...	150,073	16	50,000	+ 8,466	280,970	240,970	16
Baker (J.) & Bessemer	Dec. 31	78,712	...	30,914	53,296	8,994	14,257	10	10,000	- 2,337	65,824	37,804	10
Thos. Firth & John Brown	Dec. 31	619,647	175,000	390,822	479,004	43,800	193,750	12 1/2	100,000	+ 53,272	712,581	458,460	17 1/2
Lancashire Steel Corp.	Dec. 31	1,216,274	175,000	269,035	311,781	64,023	139,355	7	25,000	+ 40,040	1,058,038	381,352	7
Milom, &c. Iron	Dec. 31	228,437	...	66,578	83,315	27,362	29,343	10	...	+ 9,973	189,254	72,393	10
Wigan Coal Corp.	Dec. 31	257,669	55,870	31,773	50,922	10,736	21,272	2 1/2	...	- 235	308,356	68,768	3
Shops and Stores													
Mappin & Webb	Dec. 31	135,411	...	44,409	93,243	25,875	14,720	8	...	+ 3,614	87,054	54,213	8
Peter Robinson, Ltd.	Jan. 31	45,086	10,686	Dr. 12,155	2,614	...	...	...	...	- 12,155	86,063	28,044	...
Sears (J.) (True-Form)	Dec. 13	274,273	...	196,656	342,219	128,389	47,977	15	20,000	+ 290	293,963	215,878	15
Swan & Edgar	Jan. 31	61,035	10,692	37,788	122,747	...	37,500	3	...	+ 283	72,299	39,593	3 1/2
Trusts													
City National Inv. Tr.	Feb. 28	19,870	...	7,788	13,892	...	5,921	6 1/2	1,500	+ 367	17,924	7,690	6 1/2
Fourth Conversion	Jan. 31	49,536	...	28,958	34,011	...	27,957	5	...	+ 1,001	52,174	34,143	5
General and Commercial	Feb. 28	31,333	...	15,617	40,689	...	7,255	4	...	- 658	35,962	19,277	4 1/2
London & Clydesdale Tr.	Jan. 31	110,846	...	49,743	76,567	45,000	...	...	...	+ 4,743	111,009	49,788	...
Scottish Northern Invest.	Feb. 1	88,966	...	35,835	68,042	13,219	10,575	6	...	+ 11,591	83,415	27,399	6
Second Conversion	Dec. 5	94,648	...	39,185	55,334	11,855	22,265	12 1/2	...	+ 5,565	92,390	44,381	12 1/2
Sec'd Edinburgh & Dundee	Jan. 31	17,626	...	10,269	12,483	...	...	...	...	+ 1,264	17,455	13,355	...
Tyneside Inv. Tr.	Jan. 31	63,727	...	17,619	28,646	11,532	3,844	2 1/2	...	+ 2,843	87,765	28,112	2 1/2
	Jan. 31	11,409	...	5,982	11,177	4,391	1,171	2	500	- 80	13,018	7,027	2
Other Companies													
Alliance & Dublin Gas	Dec. 31*	148,506	...	54,669	56,358	...	53,023	6	...	+ 1,646	140,165	55,797	7
Bent's Brewery	Dec. 31	270,630	...	149,080	243,389	12,075	42,292	25	35,000	+ 59,693	206,260	108,026	25
Birmingham Rly. Carriage	Dec. 31	65,991	...	80,809	166,063	3,450	42,376	7 1/2	...	+ 14,823	112,593	107,411	7 1/2
British Thomson-Houston	Dec. 31	1,367,516	242,895	245,128	437,184	60,374	80,500	7	100,000	+ 4,252	1,038,046	268,479	7
Brooks (J. B. & Co.)	Dec. 28	28,261	9,776	17,585	31,373								
Courage & Co.	Dec. 31	403,035	...	251,840	363,241	50,000	175,000	14	37,400	+ 1,680	26,554	285,038	17
Fleming, Reid & Co.	Dec. 31	497,012	...	68,941	114,702	6,037	62,891	12 1/2	...	+ 13	354,381	129,155	15
Harrison Barber & Co.	Dec. 31	99,253	2,183	5,909	7,238	...	5,200	5	...	+ 709	89,598	1,461	2
Hine, Parker & Co.	Jan. 31	21,915	...	13,416	87,519	2,500	8,250	7 1/2	...	+ 2,666	30,449	12,349	7 1/2
Hollins (William) & Co.	Dec. 31	359,561	...	54,845	62,397	2,688	43,815	6	...	+ 8,442	158,822	77,737	5
Houndsditch Warehouse	Dec. 31	196,804	3,624	120,013	120,050	40,000	...	...	...	+ 16,013	248,679	208,896	17 1/2
Hugon & Co.	Dec. 31	86,945	15,000	51,844	95,974	...	49,546	6	...	- 2,369	17,318	...	...
H. F. Sauce	Dec. 31	108,026	...	70,026	255,000	10,466	112,370	30	40,000	+ 1,190	199,031	180,031	30
International Patent	Dec. 31	398,091	5,995	136,145	170,514	12,000	106,900	20	30,000	- 12,755	373,305	194,376	20
Lamson Paragon Supply	Jan. 31	93,280	...	86,680	148,811	36,000	50,020	10	...	+ 660	94,140	87,340	10
Malton Gas	Dec. 31	4,716	...	2,107	7,808	...	2,070	15	...	+ 37	5,479	2,647	11 1/2
Manchester Exchange	Dec. 31	57,013	7,202	Dr. 2,141	123,352	...	...	...	...	- 2,141	68,605	15,813	...
Murray (D. & W.) Ltd.	July 19	35,651	...	33,788	53,572	14,375	17,286	5	...	+ 1,227	17,569	16,706	...
Nathan (Joseph) & Co.	Sept. 30	159,256	...	87,600	123,705	51,000	7,984	10	34,955	+ 6,319	149,997	88,519	...
Peck, Frean & Co.	Dec. 31	150,152	...	62,792	95,295	32,375	30,000	8 1/2	...	+ 117	195,059	62,824	10 1/2
Perry & Co. (J.) & Co.	Dec. 31	27,303	...	23,671	51,879	8,650	9,221	10	10,000	- 4,200	35,998	33,099	10
Peters (G. D.) & Co.	Dec. 31	17,297	...	49,901	63,404	...	13,099	15	34,000	+ 2,802	131,490	45,014	30
Rivet, Bolt & Nut Co.	Dec. 31	56,791	9,244	47,547	58,807	...	29,848	10	15,000	+ 2,899	60,120	50,426	10
Singapore Traction	Sept. 30	108,984	20,000	42,176	51,484	9,647	7,367	7	...	+ 25,162	82,719	25,337	7
Spratt's Patent	Dec. 31	34,660	5,000	74,160	101,211	11,500	56,250	12 1/2	...	+ 6,410	93,271	80,770	12 1/2
Tamiami Rubber	Sept. 30	18,340	...	39,772	45,573	...	32,954	7 1/2	...	- 818	10,902	31,060	7 1/2
Taylor Tunnelcliff	Dec. 31	28,554	...	28,033	28,888	6,325	21,938	12 1/2	...	+ 210	33,285	32,857	12 1/2
Tilling & B.A.T.	Dec. 31	628,198	...	567,837	715,303	20,000	486,956	7 1/2	50,000	+ 10,881	603,065	488,441	8
Val d'Or Rubber	Oct. 31	14,067	...	7,998	18,817	...	5,283	6	...	+ 2,710	16,969	4,828	5
West Ham Stadium	Dec. 31	66,289	9,513	9,542	16,510	10,000	...	...	...	+ 458	11,963	13,733	10
Winterbottom Book Cloth	Dec. 31	209,098	25,000	175,948	232,468	55,063	68,869	8	50,000	+ 2,016	202,272	158,937	8
Totals (£'000's)													
Week to Mar. 22, 1941		11,251	783	5,119	7,664	1,054	2,886	...	904	+ 275	10,709	5,785	...
Jan. 1 to Mar. 22, 1941		56	85,492	4,542	44,882	68,352	8,278	31,394	...	+ 1,412	81,118	49,566	...

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.

Prices, Year 1940		Prices, Year 1941		Name of Security	Price, Mar. 1941	Price, Mar. 1941	Yield, Mar. 1941	Prices, Year 1941		Last two Dividends	Name of Security	Price, Mar. 1941	Price, Mar. 1941	Yield, Mar. 1941
High	Low	High	Low					High	Low						(a)	(b)	(c)
77	68	78	70	British Funds	77	77	£ s. d.	23/1	20/10	14	Iron, Coal, &c.—cont.	21/10	21/10	5 17 0
111	103	110	110	Consols 2½%	110	110	3 4 4	22/2	21/—	7	Guest Keen & Co. Ord. £1	22/6	22/6	10 0 0
98	98	100	98	Do. 4% (alt. 1937)	99	99	3 12 7	12/7	11/—	5	Hadfields 10/-	11/10	11/10	10 16 0
100	95	100	98	Conv. 2% 1943-45	99	99	3 3 6	21/9	19/4	12	c	20/—	20/—	6 0 0
108	97	103	101	Do. 2½% 1944-49	101	101	2 12 1	46/8	42/6	6	c	45/7	45/7	3 10 0
108	94	104	102	Do. 3% 1948-53	101	101	2 15 7	44/—	41/3	12	c	42/6	42/6	5 18 0
112	107	108	107	Do. 3½% after 1961	103	103	3 7 8	33/—	28/—	10	c	31/10	31/10	9 2 0
82	86	92	91	Do. 5% 1944-49	108	108	2 7 7	24/3	20/3	5	c	20/9	20/9	7 16 0
86	92	98	97	Fund. 2½% 1950-61	92	92	3 0 10	16/—	14/3	4	a	14/9	14/9	6 18 0
90	96	102	101	Fund. 2½% 1952-57	98	98	2 17 11	4/—	3/—	NH				
102	95	108	107	Fund. 3% 1950-59	111	111	3 1 1	33/9	27/6	5	b	3/3	3/3	NH
102	95	108	107	Fund. 4% 1950-59	101	101	2 7 8	20/4	22/9	5	b	27/6	27/6	5 4 3
100	100	100	100	Nat. D. 2½% 1944-48	100	100	2 0 4	19/3	15/—	7	c	23/9	23/9	5 0 0
100	100	100	100	Do. 3% 1954-58	100	100	2 7 10	53/1	46/3	11	c	15/4	15/4	10 0 0
100	100	100	100	War Bds. 2½% 1945-47	100	100	2 19 1	41/0	38/3	10	c	47/6	47/6	3 12 4
100	100	100	100	Do. 2½% 1946-48	100	100	3 4 5	88/3	78/9	5	b			
100	100	100	100	Sav. Bds. 3% 1955-65	111	111	3 1 1	65/6	61/3	10	b			
100	100	100	100	Victory Bonds 4%	100	100	3 7 7	65/6	61/3	10	b			
100	100	100	100	War L. 3% 1955-59	104	104	3 1 1	19/3	17/8	12	b			
100	100	100	100	Local Loans 3%	90	90	3 3 9	31/3	28/8	10	c			
100	100	100	100	Redemption 3% 1950-60	100	100	3 0 8	80/9	77/—	20	c			
100	100	100	100	Austria 3% 1933-53	75	75	3 6 8	47/6	44/—	7	a			
100	100	100	100	India 2½%	99	99	3 10 8	36/4	33/6	3	a			
100	100	100	100	Do. 3½%	105	105	3 15 9	35/—	29/10	3	a			
100	100	100	100	Canada 4% 1953-58	110	110	2 19 10	25/2	23/6	3	b			
100	100	100	100	N. Zealand 5% 1946	108	108	3 10 5	14/1	10/—	4	c			
100	100	100	100	S. Africa 5% 1945-75	107	107	3 5 3	30/6	28/—	2	a			
100	100	100	100	Corporation Stocks	87	87	3 8 8	37/3	33/9	3	a			
100	100	100	100	Birmingham 5% 1940-56	106	106	3 11 0	35/6	33/—	2	a			
100	100	100	100	Liverpool 3% 1954-64	94	94	3 8 5	15/—	11/3	15	c			
100	100	100	100	Midland 3½% 1957-62	102	102	3 6 8	17/9	16/—	6	c			
100	100	100	100	Foreign Governments	81	80	5 12 6	10/8	9/—	6	b			
100	100	100	100	Argentina 4½% Stz. Bds.	33	34	7 7 12	29/10	25/9	12	c			
100	100	100	100	Brazil 5% Fd. 1914	13	12	12 10 0	18/3	11/—	11	c			
100	100	100	100	Chile 6% (1929)	29	29	10 13 3	14/9	11/—	15	c			
100	100	100	100	China 5% (1913)	80	82	4 17 7	14/9	11/—	15	c			
100	100	100	100	Egypt United 4%	15	14	21 5 0	22/—	20/—	2	a			
100	100	100	100	Greek 6% Stab. Ls.	28	28	10 13 3	50/7	50/7	2	a			
100	100	100	100	Japan 5½% 1930	62	62	4 16 0	26/4	24/6	45	c			
100	100	100	100	Portuguese 3%	45	45	8 17 10	12/—	10/7	25	c			
100	100	100	100	Spanish 4%	10	10	10 13 3	10/3	7/7	7	a			
100	100	100	100	Railways	4	4	2 s. d.	11	11	1				
100	100	100	100	B.A. Gt. Stn. Ord.	8	8	NH	17/6	17/6	2	a			
100	100	100	100	Can. Pac. Com. \$25	32	33	12 2 6	17/4	14/1	6	b			
100	100	100	100	Gt. Western Ord.	84	84	5 15 0	3/4	2/9	6	b			
100	100	100	100	Do. 5% Cons. Prf.	32	32	11 5 0	26/10	24/9	6	a			
100	100	100	100	L.N.E.R. 5% Pref. 1955	58	58	11 5 0	26/10	24/9	6	a			
100	100	100	100	Do. 4% 1st Pr.	34	34	11 5 0	2/4	1/9	5	c			
100	100	100	100	L.M.S. Ord.	12	12	12 0 0	42/—	31/6	20	c			
100	100	100	100	4% Pf. 1923	37	37	10 13 3	27/—	24/6	15	c			
100	100	100	100	4% Pf. 1923	40	40	7 18 0	61/3	59/4	10	b			
100	100	100	100	Lon. Trans. "C"	33	32	9 7 6	47/8	38/9	15	b			
100	100	100	100	Southern Def.	10	10	10 18 0	47/8	38/9	15	b			
100	100	100	100	Do. 5% Pf. Ord.	44	44	6 0 0	64/4	58/9	7	a			
100	100	100	100	Do. 5%	79	82	6 0 0	64/4	58/9	7	a			
100	100	100	100	Bank and Discount	62/6	62/6	5 12 0	63/1	48/9	5	a			
100	100	100	100	Alexanders £2 £1 pd.	346	348	3 8 0	40/—	25/—	10	c			
100	100	100	100	Bank of England Stk.	7	6	5 16 3	33/9	30/6	24	a			
100	100	100	100	Bk. of Australasia £5	24	24	8 10 0	95/—	85/—	10	c			
100	100	100	100	Bk. of Montreal \$100	25/—	25/—	6 8 0	95/—	85/—	10	c			
100	100	100	100	Bk. of N. Zealand £1	68/—	68/—	4 2 3	68/6	61/10	17	c			
100	100	100	100	Barclays Bank £1	9	8	5 14 0	61/—	52/4	4	a			
100	100	100	100	Chid. of India £5	50/—	50/—	4 0 0	4/—	3/—	11	a			
100	100	100	100	Dist. B. £1 fy. pd.	275	275	6 13 3	84/7	81/—	9	a			
100	100	100	100	Hongkong and S. \$125	48/6	48/6	5 0 0	8/4	7/8	12	c			
100	100	100	100	Lloyds £5, £1 pd.	80/6	80/6	3 19 9	24/6	23/3	6	a			
100	100	100	100	Martina £20, £24 pd.	5	5	4 10 9	44/—	40/—	20	b			
100	100	100	100	Midland £1 fy. pd.	32	32	6 7 0	20/6	19/4	10	a			
100	100	100	100	Nat. Div. £24 fy. pd.	31	31	5 0 0	44/—	40/—	12	a			
100	100	100	100	N. of Ind. £25, £124 pd.	404	404	4 4 0	29/3	22/6	5	a			
100	100	100	100	Nat. Prov. £5, £1 pd.	45/—	45/—	4 8 0	30/9	28/—	5	b			
100	100	100	100	Royal Bk. of Scotland	72/—	72/—	5 0 0	5/—	4/—	3	a			
100	100	100	100	Union Discount	22	22	4 0 0	41	35	17	a			
100	100	100	100	Westm. £4, £1 pd.	10	10	5 5 0	25/3	21/10	10	a			
100	100	100	100	Insurance	65/—	65/—	5 7 6	50/8	43/9	5	b			
100	100	100	100	Alliance £1, fully pd.	10	10	5 5 0	25/3	21/10	10	a			
100	100	100	100	Atlas £5, £1 pd.	23	23	4 7 0	80/—	71/—	15	c			
100	100	100	100	Gen. Acct. £1, 5/- pd.	13	13	3 9 3	37/6	32/—	3	a			
100	100	100	100	Lon. & Lancs. £5, £2 pd.	12	12	4 16 0	3/4	3/4	12	b			
100	100	100	100	Pearl (£1) fy. pd.	18	18	3 2 0	81/3	78/—	18	b			
100	100	100	100	Phenix (£1) fy. pd.	7	7	4 6 0	18/—	14/9	6	a			
100	100	100	100	Prudential £1	78	78	4 0 0	21/6	18/11	6	a			
100	100	100	100	Royal Exchange £1	77	77	4 6 6	16/—	14/9	6	a			
100	100	100	100	Royal £1, 12/6 pd.	77	77	4 6 6	16/—	14/9	6	a			
100	100	100	100	Sun Life £1, fy. pd.	57	57	5 2 0	58/8	52/8	15				

to be at entire liberty to vote. But it would be a pity if matters were to go to quite those lengths. The Government must be consulted at every stage of the process of selection; but a better choice will be made if the initiative is left to those who know intimately both the office and the men.

What sort of a man should the Governor of the Bank be? In the past, the emphasis was laid on the necessity for him to be a financial technician; his most important and absorbing task was to manage the money market in days of delicate free markets and tiny gold reserves. This was one of Mr Norman's own specialities; but its importance has declined—both absolutely with the growth of rigidity and controls and the lapse of the gold standard, and even more relatively to the mass of problems of State with which no Governor before Mr Norman was ever concerned. The next Governor should be an economic statesman—as Mr Norman has been—rather than a financial expert. The change from gold standard to controlled sterling has also removed the previous necessity for the Governor to have an international bias in his experience. It is no longer his first commandment to husband the gold reserve, and therefore to be on constant watch for storm-signals in the foreign exchanges. If the Governor nowadays should have one dominating interest it should rather be in the finance of British industry. This is not to say that he should be what is known as an industrialist; but he should have some knowledge of industry and of its problems.

There is one more qualification which deserves specific mention. He should be a young man. There are several reasons for this, entirely apart from the general necessity that exists in every branch of our national life for lowering the average age of those who are in supreme control. The first of these special reasons is inherent in the choice of a permanent Governorship. Mr Norman himself entered on his long tenure when he was 48, and there would be very little

point in attempting to follow the precedent he has created if the new Governor could retain the office less than, say, ten years. If the Court were to nominate a sexagenarian, it would rightly be taken as a sign of failure to find a successor to Mr Norman. But there is another reason in favour of a young man that is even more decisive—though youth in this case is more a matter of attitude than of years. In monetary affairs more than in most matters there has been a revolution in thought and practice in the past ten years. But in monetary affairs more than in most matters, established habits of thought have in the past been not so much convictions that could be abandoned when circumstances alter, as articles of faith to be carried to the grave. For any banker or financier whose mind was set before 1931 it is almost impossible to change such beliefs as, for example, that exchange stability in a free market is the only natural state of the foreign exchanges, or that dear money has a higher ethical justification than cheap money. If our monetary policy is to have the elasticity it will need to seize every opportunity offered by a strange and turbulent world, it is essential that its supreme director should be a man whose mind had not been set before 1931, when the new monetary era began.

This is not the place—nor has the time yet come—to indulge in the pleasures of a guessing game. When the leader of a political party—a future Prime Minister—has to be chosen, the character and accomplishments of the candidates are rightly made the subject of nation-wide discussion. In the nature of the case, that cannot happen with the Governorship of the Bank, since familiarity to the public is not one of the requirements. But if the men cannot be canvassed, the qualifications for the office can be, and it is right that, even in the distractions of a war, thought should be given to a selection which may well be as momentous for the welfare of the country as any but that for the Premiership itself.

Jugoslavia Rebels

IN the early morning of March 27th the young King Peter of Yugoslavia took the Royal power into his own hands, placed M. Tsvetkovitch, the Prime Minister, and other Ministers under arrest, and called to the head of the Government General Simovitch, an Air Force officer known for his British sympathies. The news completely revolutionised a situation which, to all appearances, was passively conforming to the normal pattern of Balkan-Axis relations. Two days earlier, M. Tsvetkovitch and M. Cincar-Markovitch had signed the Tripartite Pact for Yugoslavia, apparently without reservations, and it is only when the nature of the Cabinet crisis which preceded their journey to Vienna and the general political situation which that crisis represented are fully understood that the courage and significance of the young King's action can be properly appreciated.

Until March 20th there seemed a reasonable prospect that Yugoslavia would stand firm. The Yugoslav army, a million strong, was fully mobilised, and the obvious candidate for Quisling-in-chief, Dr Stoyadinovitch, had been quietly handed over into British custody. On March 20th, at 9.30 in the evening, the Yugoslav Cabinet assembled to consider Germany's latest terms, and, after a stormy meeting, it was announced that four Ministers had resigned, that four others, including the Prime Minister, M. Tsvetkovitch, had preferred not to commit themselves to a vote, while a majority, largely composed of Croat Deputies, had agreed to accept the German terms.

This degree of opposition was only natural. Neither the terms offered by Hitler nor the temper of the country warranted submission. Hitler's conditions at first did, it is true, present a slightly modified version of the usual Axis formula, but "secret" terms in-

cluded an undertaking from Yugoslavia to permit the transit of German "war materials and hospital supplies" without right of search, a guarantee to put an end to anti-Axis activity and to bring Yugoslavia's economy into harmony with that of the Reich. In return, Germany undertook to take account of Yugoslavia's aspirations in the Aegean.

In making their stand, the dissenting Ministers had the clear support of the public opinion at least of Serbia. Feeling ran highest in the Army with its magnificent fighting record and the daily example of the Greeks to spur it on. Agitation in the country was strongest where soldiers were stationed, and the choice of General Simovitch to lead the new Government suggests that it was above all the weight of military opinion that finally won the day. But the civilians, too, were roused. The memory of 1914 and 1915 and the glorious resurrection of 1918 is not dead. The example of Greece is infectious. And behind Greece stands Britain and the United States and the great promise of "Lease and Lend."

For a day or two the pressure of public opinion was strong enough to prevent any solution of the Cabinet crisis, and it was not until March 24th that Prince Paul could find any politicians ready to take the place of the departed Ministers. The distracted population spent the interval demonstrating, petitioning and praying—to no avail. The Cabinet crisis was overcome, and at ten o'clock the same evening the Yugoslav delegation left Belgrade to sign, not a modified version of the Tripartite Pact, but the Pact itself as signed by Germany, Italy and Japan in September, 1940.

However, the Government's surrender seemed less surprising when it was set, not in the context of Serb public opinion, but against the background of Jugo-

slavia's problems as a whole. Economically the country is almost entirely dependent upon Germany, which now accounts for more than three-quarters of its foreign trade. Such concerns as *Jugo-Montan* are steadily acquiring a monopoly of Yugoslavia's valuable mineral reserves; German marketing associations have made great headway among the peasant co-operatives, organising their sales to Germany in return for seed, fertilisers and agricultural machinery. The war has only increased the dependence by transforming Europe into a German preserve and closing the seaways.

Strategically it could be argued that the question of Yugoslavia was settled when Germany completed the invasion of Bulgaria. Now Yugoslavia is surrounded by the Axis on every frontier save the common frontier with Greece. The Serb Army has a fine tradition, but its Air Force is small and obsolete, save for 200 Hurricanes. So, too, is the Navy. Although the hilly country of Serbia may favour the defenders, the risk of annihilation is great. But the King's gesture shows the Serbs remember that they have taken such a risk before.

The fundamental weakness of Yugoslavia's position was largely political, and it is as old as the Kingdom of Serbs, Croats and Slovenes. It was not until 1939 that anything like a satisfactory compromise was worked out between Serb nationalism and Croat separatism, and Croatia, condemned for twenty years to the rôle of a dissident minority, and trained through the centuries of its connection with Hungary to play the part to perfection, proved an ideal ground for the familiar Nazi tactic of disintegration. It was not simply the fact that Croatia on the flat northern plain would bear the first impact of an invading army. It was that Germany had known how to play on every dissident opinion and every separatist gesture among the various Croat groups. The Croat Ministers were probably thinking primarily of sparing their peasants from the consequences of war. Many Croat politicians may have been tempted by Nazi promises of expansion and power at the Serbs' expense. The extremist wing of Frankovici are openly pan-German. It is significant that the voting on the German terms tended to follow national lines, with the Croats as the supporters of the German view.

It is with these facts in mind that the dilemma facing Prince Paul and his Ministers must be assessed. In refusing Hitler's terms, they thought they would be faced not only with a war against Germany but also with a civil war against a Croatia misled by Nazi propaganda into rejecting Serb leadership. On the other hand, they probably argued that by temporising and attempting a compromise they could preserve the integrity of Yugoslavia and retain some measure of independence.

To understand the reasons which prompted the Ministers' decision does not, however, imply any condoning of it. The men who went to Vienna voluntarily accepted conditions of humiliation and

servitude. They decided to break not only with the heroic example of Greece, but also with their own tradition. In 1916 all was lost except honour. M. Tsetkovitch tried to save everything—with the same exception. They would doubtless urge in palliation of their conduct that in this crisis of March, 1941, the odds were too heavily against them and that this was the only possible decision. But the crisis itself was a product of their own past follies and mistakes. The distracted Regent reaped in this last fortnight the bitter harvest of his long toleration of Dr Stoyadinovitch and of the spineless policy of the Prime Minister now deposed. However grave were the difficulties they were to a great extent attributable to the policy—past and present—of the Regency.

Thus, the young king and his new advisers have arrested the drift towards enslavement at what can only with optimism still be called the eleventh hour. They have, in fact, taken office as the hour is actually striking. All the reasons which compelled the earlier government to submit have not been banished by King Peter's courageous gesture, and much that is not immediately understandable in the policy of the new regime is undoubtedly due to the overwhelming dangers and difficulties with which they are faced.

The retention of Dr Matchek, the Croat leader who voted for submission and of four other Croat leaders is undoubtedly explained by the paramount need to preserve the unity of the country. Similarly, the semi-official statement declaring that the *coup d'état* denotes no change in foreign policy reflects the Government's desire to avoid any extra provocation of Germany, over and above the enormous provocation of existing at all. King Peter is fighting to keep his country neutral, not to plunge it into war.

The decision of peace or war will not be taken in Belgrade. Nothing can disguise the fact that, for the Nazis, the disappearance of the Regency is a major diplomatic defeat. It has occurred at the most embarrassing moment conceivable, since Mr Matsuoka has arrived in Berlin to find not one more subservient nation hitched to the Nazi chariot, but a small country disavowing its Nazi overlords and rejecting their policy. Finally, it compels Hitler to choose between accepting King Peter's version of neutrality and plunging his Balkan back-garden into war. It will not be any consolation to the Nazis to remember that it was in part their anxiety to bring Yugoslavia into line before the arrival of Mr Matsuoka that led them into premature and hence disastrous action.

The line that British policy must take is obvious. The Yugoslavs are not to be hurried into making decisions and demonstrations of solidarity. At the same time, it must be made clear to them that any stand they make will be backed by all the military resources Great Britain can muster to their support. With the exception of this island, there is no theatre of war in which so much is at stake.

Farming for the Nation

THE twentieth in the series of reports from the Select Committee of the House of Commons on National Expenditure, first set up in 1939, was published last week as the sixth report of this session. It is a plea for effectiveness and forethought in the policy of the Ministry of Agriculture. In peacetime, as a farmer once put it, "grass is the biggest and most important crop in British agriculture;" more than three-quarters of farm lands, apart from "rough grazings," are either wholly permanent grassland or rigidly divided into permanent grass and arable; and the traditional policy of British farming is to rear animals on grass and cheap foreign feeds. In wartime, the scene must alter; and the task of wartime agricul-

tural policy is to father the necessary transformation.

It is well to insist on the difference in aim between peacetime and wartime agricultural policy, since no task is more delicate than to strike a balance between present necessity and possible future harm. In peacetime, the object of a sound agricultural policy should be to maintain a healthy farming industry in this country without either substantially increasing the cost of the people's food or harmfully disturbing the flow of foreign trade on which the wealth of the country so largely depends. It may be entirely sound in peacetime to use methods of cultivation that produce less food per acre if to do so is more profitable for the farmer and less expensive to the consumer;

but the New Deal, trade unions, unemployment insurance and social security have "come to stay." So, too, America is "Anglo-Saxon" and not. Apart from the French of Louisiana and South Carolina and the Germans of Texas and the Valley of Virginia, and, of course, the negroes (whose origin nevertheless is British), the South may be "Anglo-Saxon." But the Union is a melting-pot, with the "race-line" drawn differently in every part, against Irish and Catholics in New England and for them in Maryland, for the Scandinavians of Minnesota and North Dakota on the wheat plains and against them in the towns; and there are the negroes and the Jews, the "whipping boys" of "embittered poor men and women" in depressed cotton districts and city slums, of adventurers and clerical demagogues. In Illinois, with 380,000 negroes, there are twice as many negro lawyers, judges and justices as in seven more southerly States with 6 million negroes; and even in the North, in New York's Harlem, the negroes are charged high rents, paid low wages, and given few schools. In the South negroes are barred from citizenship and receive no even justice.

It is not a question of America but of the parts of America, not of the 48 States but of the half-dozen or so sections into which geography, economic activities, history, and race have divided its 3 million square miles. The South is the land of cotton. It was on the losing side in the Civil War. It has "the highest proportion of negroes, of members of evangelical churches, of illiterates, of murders, of drinkers of coca-cola, and of tenant farmers." The Middle West is bound by the "corn-hog cycle," the mountain States of Colorado, Idaho, Montana, Arizona, New Mexico and Nevada by silver, New England by its "barren soil, water-power and hard winters" and its "common educational, religious and political experiences." The political parties themselves are sectional; one party tends to dominate

all classes in each area—Democrats in cotton-growing Georgia and Republicans in textile New England; Democrats in the solid South and Republicans in the North and Middle West; Irish Democrats and Italian, French and negro Republicans. The party lines of tariffs and State's rights have gone; "the Republican party is the party to which Republicans belong and the Democratic party the party to which Democrats belong."

Yet America is a democratic republic—and a nation. It may be cloaked in fictions: a farmers' republic when it is not; a Protestant people when it is not church-going; a super-educated people when, except statistically, it is not; a federation of States with the power of government held in by "checks and balances" when it is really a congeries of regions with central power spreading swiftly; a "Germanic race" when it is a mirror of all Europe and parts of the other continents; a community of sturdy individualists when it moves and thinks and eats and dresses in masses; a land of liberty when the negro problem is no nearer to solution than it was two generations ago. But there is a free and united America behind the cloak. "American society, in those parts of America that are not already mummified, is not fixed enough to present real barriers for long, and all immigrant groups, with two exceptions, find themselves accepted for all practical purposes as soon as they are really Americanised." Mr Willkie, of pure German origin, was "more vigorous in his denunciations of Herr Hitler than were his Anglo-Saxon and Dutch rivals."

Professor Brogan's brilliant study may well be the beginning of a movement on both sides of the Atlantic to show the two countries as they really are, so that after the war, when it is realised again that they are foreign to each other, there may be no breakaway, but understanding. This book is not only the portrait of a people. It is the portrait of a nation—and a partner in the next generations.

NOTES OF THE WEEK

Russia and the War

Mr Matsuoka's colloquy with Stalin and the Russian guarantee to Turkey both raise the general issue of Russia's attitude towards the war. Theoretically—inasmuch as theory still counts for anything in Moscow—the war is a stroke of fortune. The Russians argue that the great capitalist Powers are exhausting themselves in the race to devote more and more of their resources to destruction, the peoples of the world, under the unbearable discipline of the bomber and the armament factory, are moving surely towards that frenzy for peace which created the Russian Revolution, and Russia, alone steering clear of the struggle, will have arms enough and purpose enough at the end of Armageddon to impose terms upon the prostrate world. This utopian prospect hinges however on one or two conditions, that no Power or group of Powers shall emerge unshattered from the conflict, and, more urgently, that Russia shall succeed in staying out. This is undoubtedly the question uppermost in Russian diplomacy. For the time being, there is nothing to be feared from the Far East. Mr Matsuoka, passing through Moscow on his way to Berlin, has nothing to offer and much to gain. If, as Japan's military activity in South China suggests, the Japanese imperial way is now to lead South, Mr Matsuoka must be ready for large concessions to secure a Russian undertaking not to take advantage of Japan's preoccupation elsewhere, while the Russians will be in a position to give and then keep or break the guarantee as they see fit. In the West, Russia's situation is not so happy. Soviet influence has been driven out of the Balkans and now the Dardanelles are threatened. The Russians are far too vulnerable to German attack to risk intervention themselves but they would naturally welcome an attempt on the part of Turkey and Turkey's ally, Britain, to defend the Straits

for them. Germany has been attempting to counter this hope by spreading reports of Russia's readiness to attack Turkey in the rear in the event of a German drive towards the Straits. The guarantee which binds Russia not to embarrass Turkey if she become involved in a defensive war is an interesting commentary on Russia's desire not to exasperate Germany yet to stiffen Turkey to defend the Straits.

Defence Debates in America

The pace with which American re-armament and aid to Britain is going forward has been fully maintained ever since the President first hatched the Lease and Lend Bill. The Bill appropriating \$7,000 millions was passed by the Senate even more quickly than by the House, and by an ever larger majority. Hardly a day passes without some new item of aid that is being sent or promised to Great Britain or some new declaration of sympathy and support. American diplomacy in Belgrade has been in open alliance with British. Visits of American naval squadrons to Sydney and Wellington were declarations of solidarity in the Pacific. Only on the subject of that naturally gives rise to lively regrets, there can be no food for Vichy France is there the slightest apparent divergence between the two Governments, and though hard feelings. At the present stage, re-armament is still largely in the planning stage. It is providing plenty of work in Washington and in some of the specialist sectors of industry; but it affects the public most, at this stage, as a new and absorbing peg on which all the current controversies of American public life can be re-hung. It is interesting to observe them re-appearing in their new guise one by one. There is, for example, the chronic three-cornered struggle between the AFL, the CIO and

the employers. On the whole, the advent of re-armament strengthens the hands of the employers, since interruption of the flow of production is a more serious offence now than formerly; but it also has its benefits for the workers if they harden their hearts and defy public opinion. The so-called "epidemic" of strikes is as yet a very tiny affair, but the odds are that it will grow, in spite of the President's new mediation board. Another old dispute that is appearing in a new form is the allegation that Big Business is bent on restriction. For the moment it is the steel industry that is most in question. Its critics allege that new capacity will have to be provided if the arms programme is to be carried through. The industry replies that with a capacity of some 85 million tons a year there is enough steel to make all the arms and supply quite a lot of the civil demand as well. The real question here is more fundamental than any matter of steel: it is whether there is to be any restriction of butter while the guns are made.

The War in Africa

The advance into Abyssinia goes forward satisfactorily. Negelli has fallen in the south, the columns advancing from Mogadishu have taken the Marda Pass on the way to Harar and have had men to spare to recapture Hargeisa in British Somaliland and join up with British forces advancing from Berbera. This move restores the whole of British Somaliland to British control. Further north in Eritrea the battle for Keren is entering its third week. The Italians are fighting stubbornly in the strongest possible strategic position and the fight for the heights is likely to be dogged and costly. On the other hand the strength of the resistance suggests that the Italians are staking everything on the



defence of Keren and that their collapse will be correspondingly complete once the ramparts have been stormed. There is still little to report from the Libyan front, but there is evidence to suggest that a new situation is developing there. Marshal Graziani has resigned, and although the name of his nominal successor, General Italo Gariboldi, is ostentatiously Italian, it is all too likely that the Germans have taken over the direction of the North African campaign. German reinforcements have arrived in Tripoli, and an armoured division is reported among them. German rumours of the recapture of El Agheila have now been officially confirmed, and although this advance post was lightly held by the British, the recapture suggests the Libyan war may flare up again—a factor which must be considered in General Wavell's plans for the distribution of his forces.

Sheep and Goats

Man-power policy is still a variegated scene. So far, compulsion has been kept for the armed forces, but now that too few volunteers have come forward to fill the gaps in whole-time civil defence, which some recent raids have made very evident, compulsion is to be extended. The new National Service Bill will replace the choice, which conscripts have hitherto had, to opt for civil

defence by the power to compel men called up to go into the police war reserve, the auxiliary fire service or first-aid parties. It has not been possible to fill the gaps either by voluntary means, despite pay of £3 10s. a week, with a subsistence allowance of 24s. 6d. if away from home, or from men of non-military age. Of the groups called up from now on—the 37s are to register on April 12th—only a small number will in fact be diverted from the armed forces, and they may volunteer in advance. Conscientious objectors, too, will be called upon, which should resolve an anomaly, since objectors exempted from military service on condition of going into civil defence have hitherto found it impossible to do so, since local authorities have refused to have them. In fire-watching, businesses compelled to take precautions have secured their watchers—though sometimes by paying salaries sufficient to bribe them from civil defence; but in the protection of houses and residences, the shadow of compulsion through registration has been so firmly set aside that the position remains vague and inequitable—and inefficient. Meanwhile, registration and volunteering remain the procedure for industrial mobilisation; and women in the age groups to register have been advised not to go into war work from their present jobs—which may be "useful"—until they are individually advised to do so. It is pointed out that very many of them will be advised to stay where they are. It is equally hard to assess the tempo of volunteering and the urgency and scale of the Government's industrial need for men and women. That the war effort needs millions more, however, is certain; and the experience of volunteering for whole-time civil defence, where the jobs were simply not attractive enough in pay and conditions to win recruits, should make the Government both disinclined to damp down enthusiasm and disposed to have plans for more compulsory means ready to hand.

Woman-Power Debate

The first full-dress debate on woman-power in the House of Commons was chiefly remarkable for the

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 & 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. Rt. Hon. the Earl of Selborne, K.G.
 Edward Clifton-Brown, Esq. Sir Roderick Roy Wilson
 Robert E. Dickinson, Esq. Brigadier-General Sir Samuel Herbert Wilson, G.C.M.G., K.C.B., K.B.E.
 J. F. G. Gilliat, Esq.

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. Coombe C. M. Hutchinson J. T. Jurgens

London Manager—Ralph Gibson

Secretary—H. Dalca

Head Office: 10 CLEMENTS LANE, LOMBARD STREET

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

Telegraphic Address: Africorum, London

London Wall Branch: 63 LONDON WALL, E.C.2

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

New York Agency: 67 WALL STREET

EXECUTOR AND TRUSTEE BUSINESS CONDUCTED

COMMERCIAL SERVICE

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

unanimity of opinion voiced by the interested parties. The speeches of the women members, taken as a whole, raised two issues. The first was a forceful plea for "fair play" in the registration of women for war work; the second was an attempt to give practical guidance on the social problems raised by more general military and industrial employment of women. On the question of "fair play," it was urged that the admission of women citizens to equal responsibilities and duties, according to their ability, should carry in actual practice a guarantee of equal conditions and opportunities. The announcement by the Minister of Labour of differential rates of pay during training and of widely differing rates of compensation for injury, to which the Minister of Pensions was able to announce no amendment in the case of women gainfully employed, only confirmed an anxiety that in the matter of compulsory registration women are unlikely to be allowed to enjoy the smooth along with the rough. Of the practical problems involved, that of securing suitable interviewers for women recruits is among the most important. Mr. Bevin's scheme is a halfway house between individual approach and use of mass methods and there appears to be a real danger that it will contain the benefits of neither. The social problems raised by mobilising women centre in the difficulty of combining the best use of women's work with suitable conditions for child-birth and a sound child welfare policy. The women Members were agreed in rejecting Mr. Bevin's suggested scheme for the provision of child "mindes," urging that women engaged in looking after their own children should not be called up, but that where they are already engaged in gainful employment vigorous action should be taken for the provision of day-nurseries. There was little opposition to the principle of registration itself. While women Members were able to speak in this debate with special knowledge, as Members they represent constituencies of both sexes; and it should not be forgotten that the male Members, who mainly held their peace, also represent both men and women.

* * *

Powers Against Profiteers

The control of particular prices, as distinct from control of the general price level and of certain "strategic" prices like the price of transport, fuel and labour, will not prevent inflation—especially when its intention is, not to peg prices at a given level, but to prevent margins from rising, or, in other words, to prevent prices from rising more than higher costs or lower turnover can justify. But it can prevent profiteering and injustice. It has been evident for some time, and not least to the Central Price Regulation Committee themselves, that the power to control prices under the Prices of Goods Act does not go far enough. The working of the Limitation of Supplies Orders has bred a variety of commission transactions between registered firms and other traders, by which actual increases in price have been concealed. Middlemen and speculators have intervened in short markets to make open or hidden gains; and, in the field of effective price control itself, the need has increasingly been realised of pegging all the interrelated range of wholesale and retail prices, right back from the shop to the manufacturer. A new Bill to be introduced by the President of the Board of Trade will be designed to check all profiteers, commission agents, middlemen and speculators alike, as well as to make official control over margins, wholesale, retail and manufacturing, comprehensive enough to be effective. Nothing is yet known of the machinery of administration and—still more important—of enforcement; and it is worth noting that there is nothing sacrosanct about margins, and that the preservation of the margins of, say, August, 1939, as maxima, may simply do the work of monopolists or restrictionists for them.

* * *

The Distribution of Coal

In its eighth report of the present session the Select Committee on National Expenditure has made public its recommendations for an improvement in the distribution of coal. After making due allowance for all the difficulties caused by the war, the Committee does not hesitate to attribute local shortages to faulty organisation. Transport can and must do a better job; the delay in releasing wagons can no longer be tolerated

and, if necessary, the movement of coal must take precedence over that of passengers and of less important commodities. The Government's programme for creating dumps near centres of consumption before the last winter was only half fulfilled; this must not be allowed to happen this summer if serious shortages, detrimental to the war effort, are to be avoided next winter. The "geographical balance" in the output of coal must be improved. And as some pits are short of labour while others cannot give full employment, the mining population must be redistributed, if necessary by compulsion. Again, there is scope for much closer co-operation between coal merchants for the purpose of pooling stocks of household coal, labour and transport. No one would wish to deny that the various methods of improvement suggested by the Select Committee are all very difficult to carry out. But the criticism that can fairly be made of the handling of the coal problem in the past twelve months is that insufficient effort and imagination have been put into the task of surmounting difficulties.

*

The Need for Better Transport

In examining the causes of local coal shortages the Select Committee has been impressed by the vital rôle played by transport in war. As the report points out, delays in transport slow down the war effort in the factory, and a further report is promised "upon the broader and more general aspects of transport as a whole, including roads and canals." Meanwhile, there have been reports in the Press of a proposal to secure better rail transport by interposing a new holding company between the existing companies and their stockholders. This proposal, if it exists, has probably emerged from the efforts to find some satisfactory alternative to the present financial agreement between the companies and the Government. The alternative to constant increases in charges is, of course, a subsidy from public funds, and the Ministry of Transport may think that some form of centralised control is a necessary preliminary to the use of public funds. But even if such a scheme contributed to a solution of the purely financial problem, it would have to go a long way further before it contributed anything to the physical problem of transport. A mere reshuffling of accounts or the creation of new jobs with new titles will not solve the transport problem. Its solution cannot be found by a juggling with figures. Great Britain's transport system as such is excellent: it is both capacious and flexible. If the best use has hitherto not been made of the existing facilities it is largely because the element of competition between them, which may be appropriate to the peacetime conditions of transport, when the supply exceeds the demand, has been allowed to be projected into the scarcity conditions of war. The first and most important condition of the full utilisation of the means of transport is to regard them as so much interchangeable carrying capacity and not as railways, road haulage, coastal shipping and canals, each with its special "preserve." The second step—and this cannot be taken without the first—must be the rationing of transport by the complete enforcement of a system of allocation and priorities analogous to that employed in distribution of steel and other scarce commodities.

* * *

Genuine Savings

Few speeches in any war weapons week have been so apt as one made by Lord Stamp a week ago. He did not exhort the people of Egham to save. He urged their duty not to consume. His starting point was the Lease and Lend Act, which, he said, was no "soft option," making it possible to get all munitions of war "on tick" while the scanty supply of dollars is used for other purchases. On the contrary, the counterpart to American generosity is the British obligation to buy nothing with dollars which can be done without and to pay outright for as many munitions as possible. Lord Stamp's plea, which was based also on the shortage of shipping space, was Empire-wide. In the Dominions and Colonies they require neither dollars nor ships for their food and need no food rations, but there is room for "self-denial" in other imports. This is the crux of war-time savings—not what sums of money are deposited, in misleading totals, in particular depositories, but what real subtractions are made from consumption.

Vichy Works for Germany

Two foodships, carrying 13,500 tons of flour, are to pass through the British blockade as a free gift from the American people to the French in unoccupied France. Distribution will be supervised by the American Red Cross. The British Government has made it clear that its permission has been granted for these two ships only and that there is no idea of establishing a precedent. On the contrary, the whole question of Admiral Darlan's threat to convoy foodships is still under consideration. In the meantime, evidence of the extent of Franco-German collaboration continues to accumulate. It has now been disclosed that Germany's "generous" gift of 200,000 tons of wheat was part of a barter deal between occupied and unoccupied France, under which wheat, sugar, bran and potatoes are to be exchanged for livestock, oil, salt, vegetables, cheese and wine. Then there is the question of war work under the Monthoire policy. Admiral Darlan saw representatives of German industry on his recent visit to Paris, and the extent to which French industry in unoccupied France is working for the German war machine is obviously relevant to the question of further mitigations of the blockade. Neutral sources have already reported repeated occasions on which organised labour has refused to co-operate in the Monthoire policy to the extent of making munitions, and it is known that aeroplane parts are among the articles manufactured. Even Vichy admits that lifeboats, lighters and barges are being made, but refuses to admit their military relevance—which in the case of barges at least will cause a wry smile in Britain. Moreover, Vichy admits that rolling stock is under construction. Now two-thirds of France's railway equipment was annexed in occupied France and much of it has gone to Germany. There is no guarantee that replacements will not go the same way. Germany's traffic problem is acute, and an extra truck can be more valuable than an extra gun. It is impossible in total war to distinguish absolutely between goods which are and those which are not useful to the war effort. Vichy France, in short, is part of the war effort designed to defeat Britain. It is fantastic that Britain should be required to accept the principle of assisting to feed its workers.

* * *

Hopes for a "Newer Order"

News has recently been released of the extent to which the Polish and Czech Governments in this country have advanced along the road of co-operation, and, in the midst of the unrelieved picture of slavery and exploitation presented by Germany's "new order," it is comforting to record any factor pointing towards the shape of better things to come. The states of modern Europe, internally and internationally, had proved that in the anarchy of class interests and nationalist rivalries, they could not achieve stability and peace. Nazism is the nemesis, with its imposition of the internal unity of the Gestapo and the external unity of the *Herrenvolk*. This tyranny is like the strait-waistcoat into which the self destructive or homicidal maniac is thrust. It is hateful in itself and it is no cure; but so long as the patient continues in delirium, removing the strait-waistcoat will have little effect. The real question is whether the patient can throw off his mania; and in the agreement between the Poles and the Czechs that their post-war relations shall be based upon confederation and the fullest economic co-operation, there are the first signs that, after all, the disease of Europe is not incurable. Joint commissions are already exploring the possibilities of collaboration, and both the Poles and the Czechs have expressed their desire to see their confederation serve as the growing point of a more ambitious organism.

* * *

New Model Aircraft

Lord Beaverbrook's broadcast on Sunday rose above all reports of "trouble" in his Ministry. To the Secretary of State for Air he paid the highest tributes, and for the rest he took the solid and assuring achievements of the researchers—who work for him and not for Sir Archibald Sinclair—as his theme. It was not perhaps a surprise to learn that production in February was a new monthly record or that the total of bombers and fighters now "ready for immediate operations" had never been equalled in British aviation. It is the first duty of the Ministry of Aircraft Production, while the nation's resources are still far from fully employed in

war work, to maintain the curve of output steeply upward—too steeply for February's lack of days to counteract it; and in the only comparable year of war aviation, 1918, there were very many fewer fighting planes actually available than the total of separate airframes and engines. But six new types of aircraft are in production, with two more coming on. The Hurricane, Spitfire, Whitley and Wellington gave quality the final say in crucial struggles last year, and it is plain that the next tests against the *Luftwaffe* will be decided by technical comparisons even more than by numbers. After a year and a half of war, new types in every command are needed if the lead that was a salvation is to be held and lengthened; and if the new machines equal their forbears in two ways—in fitness for their appointed tasks in the Cabinet's plan of hardening defence and spreading attack as well as in individual quality—the strategists will have done justice to the remarkable researchers and designers whom the Minister so properly praised.

* * *

Applying Sanctions

In the recruitment of women for war factories, so long as direct conscription is not adopted, the important point is to weight the scales of "free choice" in favour of the war factories. Employed women are being advised not to volunteer. Unemployed women, however, are being pressed to enlist; and an important case under the Unemployment Insurance Act has just been decided. A button-hole machinist had moved to be near her husband in the Forces, and was out of work. She drew unemployment benefit until she refused to apply for a munitions job 200 miles away, when the local officer discontinued payment. The court of referees then reversed this decision, judging that the work proposed was "unsuitable" and that the wages offered were "inadequate." Finally, the umpire upheld the original local decision: the work was not unsuitable; the difference in wages between war work and machining button-holes was irrelevant; and the wife's plea that she wished to be near her husband was beside the point. In principle, it is hard to question the general doctrine behind this ruling, which solely concerned the title to benefit—though it is surely very remarkable that no equally important work could be found for the woman nearer to Morpeth than 200 miles. She was, of course, fully entitled to be with her husband and to choose her war work; but she could not have her cake and eat it, draw benefit and refuse employment. The significance of the case, however, is wider than this. For one thing, it illustrates one of the greatest obstacles to voluntary recruitment, namely, that war work, especially for women, is less well paid than much civilian work, and is therefore not "attractive"; under unemployment insurance, with its war-time relaxations, the "suitability" of the work offered and the "inadequacy" of the pay may be irrelevant, provided it is war work and "the rate for the job" is offered; but in the process of mobilisation by voluntary means, these points are crucial. For another, it exemplifies the imperative necessity of disrupting family ties as little as possible—as well as providing yet another example of the pressing need for vacancy officers of skill, understanding and discernment at the exchanges.

* * *

Keeping up Contacts

No problem of post-war reconstruction is more important than export trade. Lord Forbes, a member of the Willingdon Mission to South America, chairman of the National General Export Merchants' Group and a member of the Industrial and Export Council of the Board of Trade, has drawn attention to some obvious dangers. He spoke of Brazil, whose current problem, in common with other South American countries, is the loss of European markets. There is a risk, particularly if the war drags on, that the resources of countries like Brazil may be developed to such an extent that they approach self-sufficiency. Brazil has potentialities as a great industrial country. The production of steel there is now 140,000 tons per annum and of iron 160,000 tons, charcoal being the fuel used, while an American steel company is assisting in the construction of new steel works with a capacity of 500,000 tons a year. Again, Brazil is able to make motor-car tyres from domestic raw

materials, to satisfy 85 per cent. of home consumption, and has found a market for them in South Africa. Brazil's other raw materials include nickel, manganese, titanium, rubber, cotton, bauxite and vegetable oils; and lack of capital is the only reason for their being as yet undeveloped. Lord Forres suggested that the process of development might take about twenty-five years—sufficient time, if plans are made ready now, to allow Britain a due share in it. Experience in engineering, in producing capital goods, industrial plant, railways and shipping: none of these British assets should be lost in wartime; it is rather in the sphere of the production of consumption goods that belligerent countries suffer. The Willingdon Mission has presumably made these points to the South Americans: that the British market will be open after the war; that British goods and capital will be available; and that it is only because Britain is the vanguard of the fight for liberty that South Americans have had to suffer loss of markets and supplies. The aim is to keep the door open; and, in the meantime, it is imperative for plans to be formulated for fostering the renewal of trade. The Brazilian-German barter trade has also been cut off by the war. But in the past it gave Brazil appreciable advantages, and its methods must be countered. The pre-war obstacle of unstable exchanges must be surmounted. New trade agreements must be devised. During the war, potential established markets, Lord Forres urged, must be studied, and their changes, developments and requirements noted. Contact must be kept with the customer—by personal visits, Press publicity, the wireless and the cinema. It is imperative that, when the war is over, British trade, industry and finance shall be prepared at once to take part in the prosperous development of South America.

* * *

Cut Rations

It is the aim of the Ministry of Food to extend communal feeding, but there are still some questions unsettled. The economies of bulk catering and bulk cooking are obvious, not merely in terms of money but in the quantities used, and the introduction of communal feeding could be employed either to make rations go further or to enable existing rations to be reduced. Either objective is, of course, legitimate, and in many instances of communal feeding which are outside the rationing scheme, such as industrial canteens and restaurants, the target should be to make as little food as possible go as far as possible. But at the moment, in a number of catering establishments where there is a hard core of more or less permanent residents in addition to a few casual guests, there is some sense of grievance. Ration books are surrendered and rations are drawn not per head but *en bloc* according to the number of meals served in a previous period. The actual allocation of butter, sugar, bacon, meat and tea per head is very much below the personal ration allowed to individuals living at home, and the view is expressed that communal feeding is, in fact, being penalised rather than encouraged. The matter is not, of course, very important. All that is happening is that the benefits of communal feeding in these instances are accruing to the community in general instead of to the individuals who feed communally, and it is probable that, in most cases, these people are feeding as well with their cut rations under communal conditions as they could at home with their full supplies. The argument is, however, that the knowledge that communal feeding may mean reduced rations, and not simply a better use of existing rations, is calculated to be a deterrent to communal schemes. This argument is not wholly unsound. If communal feeding is intended as a device to reduce rations wherever possible, in the national interest, and if this is necessary, then it should be extended by every means possible to bring as many people as possible back into line on the lower level. The view that every citizen has an equal right to his full ration, however ill or well he may use it, will not die easily.

* * *

Food and the Family

The figures revealed by the 1937-38 investigations of the Ministry of Labour of expenditure on foodstuffs gave a clear indication of the rôle which different kinds of food play in the budget of a household of an average size of 3.77 persons and with a total weekly expenditure

of about 85s. a week. Some 34s. a week was spent on food, and ranged according to their cash importance, the most important items were *meat* (beef, veal, mutton, lamb and pork), *milk*, *bread*, *butter*, *bacon*, *ham*, etc., and *eggs*. To throw some light on the present wartime position, three and a half years later, the expenditure on these foods can be compared with the rise in prices which has taken place since the war started—remembering however that food prices vary every year from season to season:—

	Weekly expenditure of the 85s. family (3.77 persons) (1937-38.)		Percentage increase of prices on Feb. 1st, 1941, compared with Sept. 1st, 1939.	
	s.	d.	%	
Meat	4	8½	18	
Milk	3	0½	31	
Bread	2	8½	3	
Butter	2	5½	19	
Bacon	1	11	23	
Eggs	1	10½	72	(fresh)

The most important items of the family's food budget, which make up about 50 per cent of their total expenditure on food, have not been hit with undue severity by the rise in prices; but, unfortunately, the matter does not rest here. It is not simply a question of prices, but of physical supply as well. Supplies of meat, bacon, and butter are rationed and it is difficult to get eggs. To make up their wartime diet, the family must look, not simply to those kinds of food whose prices have not increased very much, but also to those of which adequate supplies are actually available. Cost is, of course, a limiting factor, but some of the staple foods mentioned have been so strictly rationed that, even with the increase in the price of the supplies of those that can be got, there is some money left over, some "saving" to be disbursed on other foods. There is fish, for instance, the expenditure on which in the 1937-38 budgets was only 1s. 4½d.; though a good part of this may have been spent on the cheapest kinds of fish, this sum is still small. Unfortunately, though fish is not rationed, its price has risen on the average 87 per cent—almost the largest increase between September, 1939, and February, 1941.

* * *

New Foods for Old

The problem, when the usual articles of diet are either scarce or too costly, is to find substitutes which have hitherto taken an over-small place in the family diet. One obvious alternative is cheese. The expenditure on cheese was only 8½d. for the whole family which spent 85s. a week in the Ministry's survey, and its price has risen 30 per cent. But this again is difficult to get; it has been doled out by retailers in informal rations, and is now to be formally rationed. A better chance of "making-up" seems to exist in the case of potatoes and vegetables. The expenditure on potatoes was only 1s. 1½d. This is small, and corresponds to not quite 14 lb. a week, which is amazingly little compared with other countries—though in such comparisons it should be remembered that the price of potatoes in this country is always relatively high (1d. a pound in a normal winter compared with 5s. a cwt. in peacetime Germany) because of the much superior British quality. Even so, there is plenty of room for expanding potato consumption in Britain. Again, the consumption of vegetables, at 1s. 4½d., is also small. This deserves the special attention of Lord Woolton. The abundance of, say, cheap cabbages which the growers have claimed has not flooded the retail markets, and it has been suggested that the desire of the wholesale and retail trade to dispose of the higher-priced vegetables, such as brussels sprouts or cauliflowers, has stemmed the flow of the cheaper grades of vegetables such as cabbages and carrots. Another substitute or "makeweight" is milk, a very valuable food. But, in this case, the sum spent was already high—3s. a week—and, even if there were not the promised difficulties in feeding dairy herds, it is doubtful whether the 85s. family would be disposed to increase its consumption very much. The choice, in remoulding the family diet, then, is plain; either food expenditure must be expanded in the direction of the cheaper foods of which too little has hitherto been consumed; or to spend more, over and above what can be spent on the restricted supplies of rationed foods, on more expensive foods as long as they still remain unrationed. Not a little will depend on the skill of the housewife to combine the

scarce foods, the expensive ones, and those available at cheap prices, in the form of pies and puddings, soups and other mixed dishes. The French *pot au feu*, which combines a scrap of beef with a quantity of potatoes, carrots and green vegetables, and the Italian *Minestrone* are examples. The former was originally a peasant dish; and it may be necessary and wise during the war to go back to some of the old rural traditions of cooking.

* * *

Compensation for War Damage

The War Damage Bill received the Royal Assent on March 26th. In its original form it had two major defects. The first, the discrimination against the owners of wholly destroyed property has been partly rectified in that the War Damage Commission will have some discretion in taking account of a rise in prices. The only concession made by the Government on the second matter—the inadequate provisions for placing part of the burden of contributions on mortgagees—was to raise to £150 the upper limit of the value of property in respect of which any mortgagee's contribution can be required. Although Lord Maugham pointed out in the House of Lords on March 13th that the failure of the Bill to provide for equal treatment between mortgagor and mortgagee was "a serious blot" on the scheme, his plea was rejected by the Lord Chancellor on the general ground that the Chancellor of the Exchequer had come to the conclusion that it was the best that could be devised. As the Act only covers the damage done during the first two years of war, and is therefore due to expire at the end of August, it is to be hoped that the remaining defects will be eliminated when it comes up for renewal in the autumn. Another measure, the Liabilities (War-Time Adjustment) Bill, introduced by the Lord Chancellor into the House of Lords on March 25th, is designed to mitigate hardship arising from another kind of war damage. Its purpose is to prevent destitution and bankruptcy among business and professional people who have been rendered unable to meet their liabilities as a direct result of the war, and through no fault of their own, and it provides for a scheme whereby debtors and creditors—with the assistance of liabilities adjust-

ment officers to be appointed under the scheme—can be brought together to negotiate a settlement of the latter's claims without recourse to the courts of law. Some such machinery is obviously necessary, not to relieve debtors at the expense of creditors—in any case many debtors are also creditors—but to straighten out the financial relations between individuals in so far as they have been upset by the war.

Shorter Notes

The Isle of Man (Detention) Bill, which has passed its second reading in the House of Commons, enables aliens or British subjects, detained under the Home Secretary's emergency powers, to be transferred to the Isle of Man. There is at present no provision under the law whereby British subjects or non-enemy aliens may be sent outside the United Kingdom—which does not include the Isle of Man—but there is no such difficulty about enemy aliens, for they are detained under the Prerogative.

*

In the House of Commons last week, Mr Churchill said that the BBC had climbed down over the ban on persons who attended the People's Convention. Such persons will not, in future, be debarred from giving broadcast performances. On the other hand, the BBC has not reconsidered its dismissal of two skilled technicians who are conscientious objectors, and the Prime Minister has endorsed its decision. Since the rights of conscientious objectors are secured by law, and the tribunals frequently only grant exemption from military service on condition that the objector does work of national importance—in the case of one of the BBC technicians he had been told to remain at his job—this attitude is very unfortunate. The reason given—that the technicians' work was highly confidential and responsible—seems to presume that conscientious objectors are necessarily spies.

*

The number of road deaths in February was 689, an increase of 65 per cent. over February last year, only 52 less than in January, and only 100 less than the total number of air-raid deaths in February.

THE WORLD OVERSEAS

Economic Control by the Japanese Army

(From Our Shanghai Correspondent)

February 5th.

IN Japanese-occupied China, the Japanese military have assumed complete economic control in the past twelve months. Today they dominate not only the semi-official Japanese development companies and their 30 odd subsidiary companies, but also the manufacturing industries and all lines of trade which originally had been reserved for private Japanese interests. The result is the complete absence in these areas not only of Chinese, but also of Japanese, private economic initiative and investment. The pre-war Japanese manufacturing industries in occupied China, and the Chinese enterprises which these industries expropriated, are all now strictly regulated by the Japanese military machine. Outside Shanghai and Tientsin, these industries have to sell their products within the limits of volume quotas and maximum prices fixed by the military. The volume and prices of their supply of Chinese raw materials and fuel are equally regulated by the military. Exchange in the open Shanghai market for the purchase of foreign supplies may be purchased only through Japanese banks under a permit system operated by the Tokyo Finance Ministry's Shanghai delegate. Exchange proceeds from exports abroad obtained by these industries must be surrendered to the Yokohama Specie Bank. Finally, also, the distribution of profits by these industries is strictly controlled;

part of the profits have to be "lent" to the military for the duration of the China war.

The bulk of the trade between occupied China and Japan has been made the monopoly of a series of import and export organizations in both Japan and China, which are supposed to include the legitimate Japanese interests concerned. At the China end, these organizations are supervised by the Japanese military. All products imported from Japan have to be sold through these organizations at prices fixed by the military, and against Peiping F.R.B. puppet currency in North China and Japanese military yen in Central China, respectively. The difference between the 14d. official Tokyo rate and the 5d. open China market rate for Bank of Japan yen, which for years bestowed extraordinary profits upon Japanese private importers in occupied China, is now appropriated by the military through the levy on this trade of new special exchange difference taxes.

The numerous Japanese private firms engaged in Chinese internal trade, purchasing Chinese produce in one area and selling in another region of occupied China, are also now all under Japanese military control. They all not only have to abide by volume and price regulations, but have to cede fixed shares of their profits to various Japanese military commands. In the hinterland of Shanghai, most of these formerly extremely

prosperous companies have completely lost their independence and are reduced to profit-gathering mainly for the military.

The development companies and their subsidiaries are today merely semi-military institutions. The development funds of over 300 million yen, which they raised last year through the placing of debentures with Government banks in Japan, were mostly spent upon military enterprises, especially on the construction of new military communications. No genuine economic development work is being undertaken. Book profits shown by the majority of these firms' subsidiaries merely result from the undervaluation of expropriated Chinese property, as well as the disregard of proper amortization and reservation. Real profits have been harvested only in the monopolist exploitation of old-established business lines such as the Shanghai raw silk and fish markets.

Small Return

The parts of China best developed in former times have been in the power of the Japanese military for over three years. Although Japan's economic domination of occupied China is greater than ever, its yield to Japan is lower than ever. Japan sells less in China than before the start of the invasion, and at the same time gets less Chinese supplies than before. Except for monthly shipments of some 400,000 tons of coal, Chinese supplies are insignificant for Japan's economy. Official Japanese "development work" in China is but auxiliary war activity. Chances of profitable investment in occupied China for Japanese private capital have disappeared.

Complete Japanese military control has made occupied China's whole economy subsidiary to the various Japanese Army commands in China proper. The control is serving the immediate purposes of assisting Japan's fighting forces in fighting the Chinese, and of providing them with some pocket-money apart from the war funds raised by the Tokyo Government. Moreover, the control is being used to help in transforming occupied China proper into another Japanese Army Reservation of the Manchurian and Korean types by excluding or subjugating all other Japanese, and, of course, all Western, interests.

Decline in American Agriculture

[FROM OUR NEW YORK CORRESPONDENT]

February 22nd

THERE is a general disposition, in America as well as abroad, to think of the United States as primarily an agricultural country. The 1940 census is a reminder that, not only is this no longer true, but it has not been true for a generation. The general structure of America is profoundly altered from that of, say, 1914, as illustrated by the census of 1910.

In 1910, the population was a little over 90 millions, of whom 50 millions were classed as rural—that is, living on farms or in communities of under 2,500. In 1940, the total population had passed 130 millions, of whom less than 60 millions were rural and over 70 millions were urban. That is, in these thirty years, the total population had grown by 40 millions, but over three-fourths of this increase was in urban communities.

Politically speaking, the balance of power has definitely shifted from the country to the city. In the south, and in the sparsely settled States of the west, the majority of the population is still rural; elsewhere, in most States, the majority of the population is urban. In 1930, some twenty-nine States classed a majority of their populations as rural, and these States would have contributed fifty-eight of the ninety-six senators. The 1940 data are not yet published, but would not have altered this fact materially. But as these are States of small population, the great majority of the members of the House represent city constituencies. In 1910, both Houses decidedly represented rural constituencies.

By no means all the rural population is concerned with farming; on the other hand, the smaller urban communities are directly dependent on farming. The census distribution is, therefore, not entirely indicative of agricultural interest. As to the farms themselves, the census of 1940 counted 6,096,789 farms, a decline of 200,000 farms for the decade. The

acreage in farms, however, increased from 987 millions to 1,061 millions. This gives an average of 177 acres per farm, and, with all the variations in local conditions, it is surprising that the majority of farms run so near the average. In the east, the typical farm runs nearer 100 acres, and further west nearer 200 acres. At the extremes are the truck farms and the ranches.

Drop in Farm Values

The value of all farm land and buildings was given as \$34,000 millions in 1940, compared with \$48,000 millions in 1930, a decline of nearly 30 per cent. In 1920, the value was given as \$66,000 millions, or almost \$70 an acre. The 1940 value was something over \$30 an acre. In 1940, farm buildings were valued at \$10,000 millions, and implements at \$3,000 millions.

On these farms, about one-third (322 million acres) were under crops; another third was under pasture, fallow and woodland; and the final third was unspecified.

The general problems of American agriculture are not the problems of an export surplus. The "export surplus" problem is concentrated in a few crops—wheat, cotton and tobacco. These are localised and politically expressive; nor is their solution obvious. Much of the wheat is grown on land that will produce no other marketable crop; it could be converted into grazing, but not readily in the unit sizes in which it is held. Most of the cotton land is capable of other uses, but its conversion would require a complete change of local habits.

The agricultural problem, which, as can be seen, cut the value of farms in two between the boom of 1920 and the early depression of 1930, and which, in spite of an urban recovery, had taken another 30 per cent. of the value between 1930 and 1940, is essentially a domestic problem. As yet, the farmer has got almost nothing out of the war boom that has restored to the urban worker conditions equal to or exceeding those of the New Era.

Depression in Jamaica

[BY A CORRESPONDENT]

March 20th

THE almost unreserved welcome which has been given to the proposed new constitution for Jamaica should not obscure the fact that the Colony is, economically, in a very bad way indeed. The plight of the banana industry is well known, but the effect of this and other factors on the island's whole financial and economic position has not been fully realised.

Even before the British Government placed a ban on imports of bananas into the United Kingdom from last December, banana exports had fallen off considerably, with the result that, in the first nine months of 1940, Jamaica's total export trade was only £2,392,000, compared with £3,960,000 in the first nine months of 1939. In the same period, however, imports, though they fell considerably in volume, were in value about stationary at some £4,500,000. Exports are, therefore, only equal to about a half of the value of imports, and it is most unlikely that Jamaica will be able, under present circumstances, to maintain its tourist industry to an extent anything like enough to offset the effect on its balance of payments of the large import surplus.

One reason why the cost of imports has risen considerably is that, in order to conserve American and Canadian dollars, trade control has been imposed, which means that all imports must come from sterling areas in spite of the problems of shipping and supply. Many applications for imports from Canada have been refused, and the restriction on imports makes it difficult to develop local industries.

Nevertheless, attempts are being made to increase local manufactures. A few factories have been established for the manufacture of cement, starch and condensed milk, although permission to import wood-working machinery from the United States for furniture manufacture was refused. The Government is also trying to increase the local production of food. A corn meal factory has been started which aims at supplying the entire local demand, and the food controller is exercising strict control over imports of corn meal, flour and peas. Moreover, local use is being made of the unexportable banana. Banana meal is being mixed with flour for bread; dried bananas are to become a regular item of

diet; cooked bananas are to be served as vegetables; and bananas are distributed free, or at nominal prices—this, however, has unfortunately dislocated the market for other foodstuffs which the peasants were encouraged to grow on the outbreak of war.

Falling Revenue

A serious consequence of the policy of self-sufficiency, is that a decline in imports means a loss to the Government of Customs revenue, which normally accounts for about half of the Colony's total revenue. Last year, the Government was faced with a mounting deficit; and income-tax was increased to bring in another £200,000, while a surtax was introduced and additions were made to estate duties, stamp duties, customs and excise. But further taxation is likely in the next Budget, as revenue is falling short of the estimates.

Another problem for the Government is the rising cost of living. Between the beginning of the war and October, 1940, the cost-of-living index rose by 25 per cent., while for food alone the rise was 30 per cent. Wages, on the other hand, are still at their pre-war level in most industries, but it is expected that the revelations of the cost-of-living survey will hasten the active operation of the Minimum Wage Law which was passed two years ago. A Wages Advisory Board has recently been set up, under the law, in the sugar industry; one of its first tasks is to tackle the deadlock between the Sugar Manufacturers Association and the trade unions arising from the question of the correct allocation between workers and manufacturers, respectively, of the increase in price, amounting to £1 7s. 6d. per ton, which the Imperial Government has granted for the 1940-41 crop.

There appear to be two possibilities of help for Jamaica in its present troubles. One is that Great Britain will give more financial help, either by a direct subvention or by extending crop purchases. In particular, it is hoped that help will be given in respect of the 120,000-200,000 surplus boxes of grapefruit; and it is also being widely suggested that the Ministry of Food should relax the import ban in favour of dried bananas, which are said to need only 5 per cent. of the shipping space taken by bananas on the stem. The other possibility of improvement lies in the construction of naval bases for the United States, which would help to solve the unemployment problem. On the other hand, the bases are giving rise to problems themselves, for land speculation is taking place in the neighbourhood of the proposed sites, and the question of compensation to displaced landowners and their employees will have to be settled.

The Falange Faces Opposition

[BY A SPANISH CORRESPONDENT]

March 7th

RECENT reports from Spain all tell of strengthening opposition to the Falangists. Criticism is now quite open, and party discipline is relaxing. The mere existence of a vast mass of opposition, however inactive, is one of the most powerful forces now ranged against any plans the Germans may have. The failure of the Falange to bring any sort of order into the economic chaos, together with the demagogic policy of its more radical elements, is damping the ardour of some of its supporters, and there is evidence that in aristocratic and industrial circles there are spreading only disillusionment for the present and despair for the future. Moreover, many enlightened Catholics—both clergy and laity—are wondering if they have gone too far in militant support of a totalitarian regime.

But if there is disharmony in the Franco ranks, they are all at one against democracy, the Conservatives harking back to the old type of absolutism, the Falangists worshipping its modern form—totalitarianism.

The Falangists now stand between the silent resistance of the old democratic elements, on the one hand, and the growing dissatisfaction of the Conservative classes on the other. No positive move can be expected from either side of the opposition at this stage, partly owing to the war. Nor, of course, can it be supposed that there is any general desire for things to be as they were before General Franco's victory.

The economic situation is going from bad to worse because no plan for reconstruction has been put into effective operation. Only a fraction of industry is working. Transport is breaking down. Villages and small towns destroyed during the war have been left as they were. People have drifted steadily to the towns, leaving the fields untended; and this, with the lack of fertilisers, has meant crops below normal. It is said there is now more hunger in Spain than in any other country in Europe.

Although the extreme Falangists blame the food shortage on the British "blockade," some Spaniards appreciate Great Britain's continued efforts to assist economic recovery by various trade and payment agreements and by providing facilities for shipping wheat and other foodstuffs to Spain. The American Red Cross is also doing important work in this connection. But while the effects of these measures will undoubtedly be felt for what they are worth, the political implications are largely missed because the Spanish papers have never given them sufficient publicity.

For some time now the Falangist Press has been attacking the well-to-do classes, who are variously accused of leading too easy a life, of thinking only of the material interests of their own class, of sabotaging the National-Syndicalist revolution, or of illicit dealing with foodstuffs and profiteering out of the starvation of others. For these and other alleged offences heavy fines—amounting to several million pesetas—have been imposed upon wealthy business men, and 40 per cent. of the fine goes to the informer. In other cases the culprits—280 of them during December—have been sent to labour battalions. The main object of this demagogic campaign is to give some sort of satisfaction—as they cannot give food—to a restless and hungry people.

Hostility Admitted

A portent of the growing tension in the situation is to be found in a speech delivered in Madrid on December 31st by Sr. Salvador Merino, National Chief of the Falangist Syndicates (trade unions). He said that "all kinds of intrigues were being launched against the Falange, even from within its own ranks," and candidly admitted "an atmosphere as hostile as, or even more so, than in July, 1936." He blamed this on the Conservative elements, then turned upon the workers for being in sympathy with the Republicans, and concluded by stating that although the Falangists were only a minority, they were determined to use the power they had seized to apply the principles of the National-Syndicalist revolution.

This latter statement is in accordance with Falangist policy since the Civil War. Before it broke out, the various Conservative elements, which united with the Falangists to form the backbone of General Franco's movement, agreed to sink their political differences until victory was won. The Falangists, however, have seized power and used it for their own advantage, and the recent trend of Spanish politics has been no more than a succession of manoeuvres by the Falange to eliminate their former allies.

This struggle for supremacy has been clearly reflected in the changes in the Cabinet. Formed in August, 1939, it was intended to represent a balance of political forces. Unity of action was its declared aim, but observers realised that this was only being achieved by forcing things into a Falangist mould. General Franco was himself Premier, and there were fourteen other Ministers. Three civilians and one army officer were not members of the National Council of the Falange. The other ten—four civilians (Srs. Serrano Suñer, Bilbao, Sanchez Mazas and Gamero del Castillo), five army officers and an admiral—were members either of the Political Junta or the National Council. Sanchez Mazas and Gamero del Castillo were Ministers without portfolio and represented the Party. Another and more important link between

FAMOUS SINCE 1795

OTARD'S
COGNAC BRANDY

Cabinet and Party was General Muñoz Grande, Secretary-General of the party and *ex officio* in the Cabinet.

It is noteworthy that the Ministers who were not members of the Political Junta were those for Finance, Agriculture and Labour, Industry and Trade, and Public Works, that is, the whole economic life of the country. Obviously, General Franco was trying to conciliate the people representing economic interests, who had not much faith in the National-Syndicalist revolution.

After a few months changes began. General Muñoz Grande was dismissed from the secretaryship of the Party and so from the Cabinet. The arrangement had been that all officers were automatically members of the Party, which had thus had political control of the Army. As compensation, the key post of secretary had been given to a General, and his dismissal pointed to friction between the Falange and the Army. Sr. Gamero del Castillo became acting secretary. He is a young man—about 29—an ardent Falangist, strongly pro-German (having studied law and philosophy in Freiburg and Bonn) and the most outstanding figure in the Falange after General Franco and Sr. Serrano Suñer.

Then General Vigon, Chief of the Supreme General Staff, was installed at the Air Ministry in place of General Yagüe, who even during the Civil War had come under suspicion because of some of his remarks about German and Italian assistance.

The next to go was Sr. Sanchez Mazas, one of the Falangist Ministers without portfolio. He was an "Old Shirt" (one of the original little band of Falangists) and vice-president of the Political Junta, but not a member of Sr. Serrano Suñer's personal coterie.

Another important change followed close upon Sr. Serrano Suñer's mission to Berlin; only a week after his return he took over the Foreign Office from Colonel Beigbeder—a step for which the Falange Party had long been clamouring, accusing the Minister of not being sufficiently pro-Axis. Then Sr. Carceller, another member of the Berlin mission, replaced Colonel Alarcon de la Lastra at the Ministry of Industry and Trade.

In December, Sr. Serrano Suñer tried to persuade General Franco to dismiss the Ministers of Finance, Agriculture and Labour, and Public Works, and merge these offices, together with Industry and Trade, into a single Ministry under Sr. Carceller. But this proposal met with such an outcry that it has been dropped for the moment.

On January 18th, Sr. Gamero del Castillo openly admitted that there was friction between the Falange and other elements, and advocated that the Falange, with the support of the Army, should seize full control of the State and the Cabinet. *Arriba*, the paper representing the views of the Falangist headquarters, remarked, however, that political changes must be postponed until the food problem is solved.

On the other hand, new governors, chosen from the Falangist inner ring, have been appointed to Madrid and Barcelona.

Dominion-Provincial Relations in Canada

[BY A CORRESPONDENT]

March 14th

THE recent presentation to the Canadian Parliament of non-war estimates for 1941-42, with their provision for provincial subsidies, recalls the fiasco which took place in January over the Conference on the Rowell-Sirois Report. The Rowell-Sirois Commission had, it is true, been concerned with the balance of powers between the Dominion and Provinces in the widest sense, but it was generally agreed that the main problem was financial and the Commission's chief—and most thorny—recommendations dealt with the question of Dominion-Provincial finance.

Under the constitution the Provincial governments had the duty of incurring certain kinds of expenditure and the right to raise certain kinds of revenue, but since the great slump the expenditure has increased by leaps and bounds, principally on unemployment relief, while the revenue has fallen dismally. As a result, the Dominion has been forced to make large grants, totalling over \$300 millions, to the most hardly hit districts and,

even so, a good deal of Provincial debt in the prairie regions has been unable to yield any interest. The Commission's main recommendations involve an important increase in the powers and resources of the Dominion Government. It is proposed that the Dominion shall assume full responsibility for the relief of all employable unemployed; that it shall take over all direct and guaranteed Provincial debt, whether dead-weight or revenue producing; that it shall provide "national adjustment grants" for the Provinces where the necessity arises. On the other hand, it is proposed that the Provinces shall cease to be the collectors of personal income tax, corporation tax and succession duty, all of which shall be levied by the Dominion Government.

On a broad view, unemployment should be a national responsibility, because its quality is determined by the Federal Government's fiscal policy. Contributory unemployment insurance has only recently been introduced and hitherto it has covered the lesser part of the unemployed, so that centralisation would provide an opportunity for a more widely-based scheme. Once this burden was placed on the Dominion, the Provinces would be free to devote their whole attention to the considerable fields of social welfare still remaining under their care.

The recommendations regarding the taking over of Provincial debts are complicated by arrangements for the Provinces to make certain payments to the Dominion Government, based on the interest which they receive on their investments, and there are separate provisions for Quebec Province, where there are large municipal debts. A unification of all this indebtedness would permit a conversion to lower interest rates, and there would also be a saving on ordinary management expenses.

The taking over of these liabilities would saddle the Dominion with a heavy burden, and the proposal that the levying of the main taxes shall be transferred to the Dominion is a necessary corollary. The economies of unified control should prove considerable, if only by simplifying the present unbelievable complexity of the Corporation taxes in a country where there are nine sets of Provincial company laws and Dominion legislation as well.

If these sources of revenue are withdrawn from the Provinces, they will be left in possession of little else beyond local rates and vehicle duties. As one of the objects of the Commission was to arrange for the future well-being of the Provinces, the report recommends the disbursement to needy areas of National Administration Grants in such a manner that "every Province can provide for its people services of an average Canadian standard." More closely defined, this means that every Province should be placed in a position to balance its budget after providing its citizens with an average Canadian standard of services and after taxing its citizens at an average Canadian standard of severity. The report proceeds to explain in considerable detail what services are to be regarded as essential and what periods are to be taken as a basis for fixing "average" standards. The Commission considers that at the present time only six out of the nine Provinces require a National Administration Grant, but it is recommended that the position be reviewed every five years by an independent finance commission.

In addition to these grants, the giving of emergency grants to badly-hit Provinces is considered necessary, though here a yearly revision is advised. At the moment, Saskatchewan, whose finances are in a very bad state, is the only government suggested as standing in need of such aid.

Although there may well be room for disagreement over individual recommendations of the Commission, there was general agreement over its main outlines, and disappointment and contempt were expressed that the Conference in January between Federal Ministers and Provincial Premiers ended in an unedifying squabble. It is possible that it would have been difficult to put the proposals into effect in wartime, which was why Mr Mackenzie King advocated them so half-heartedly, but far they should be implemented when peace returns. As it was, Mr Hepburn, Premier of Ontario, announced, on the first morning, the unqualified opposition of his Ministry to the proposals, and a similar stand was taken by Mr Aberhart, of Alberta. Most of the blame for the breakdown of the Conference probably attaches to these two Premiers, but the Canadian Press allocated a great deal to Mr Mackenzie King for his maladroit handling of the affair, which has certainly contributed to the growing dissatisfaction with his Government in the country as a whole.

THE BUSINESS WORLD

The Price of Raw Materials

RAW materials, conversion costs and profits: these, broadly, are the three main ingredients that make up the prices of finished goods. The prices of raw materials and the cost of converting them into finished goods have shown a substantial, though far from uniform, rise since the outbreak of war, but the general trend of net profits as distinct from gross profits, as reflected in *The Economist* index, has been slightly downwards. The proportions in which the three ingredients contribute to the price of finished goods vary considerably between different industries and between different products of the same industry. But there can be no doubt that the rise in the prices of basic industrial raw materials—the Board of Trade index advanced by 70 per cent between August, 1939, and February, 1941—has contributed substantially to that of finished goods since the outbreak of war.

Although the prices of basic products have been strongly influenced by Government policy, and the majority of them are subject to direct or indirect control, it is useful, in an analysis of the causes of the rise, to distinguish between imported and home-produced materials. Apart from world supply and demand, the prices of imported materials are influenced by the Government's buying policy, by the sources of supply, by the cost of transporting them to this country, and by movements in exchange rates. Those of home-produced materials have been influenced, not only by the rise in wages, in the cost of equipment and transport and by changes in profits, but also by the size of the output required by the Government.

To take first the prices of imported materials. After a slight rise consequent upon the outbreak of war, world market prices, as reflected by the index of raw materials calculated by the American Bureau of Labour Statistics, showed surprisingly little change. In the absence of the customary quarterly indices it is not possible to quote the average rise in the price of British imports, but in the following table the American indices are compared with the basic materials component of the Board of Trade's index of wholesale prices. Although this index includes a number of home-produced materials it is probably roughly representative of the general trend of import prices:—

INDICES OF RAW MATERIAL PRICES.

(August, 1939=100)

	U.K. (Board of Trade)	U.S.A. (Bureau of Labour Statistics)
1939 August	100	100
December	143	110
1941 February	170	111†
† December, 1940.		

The comparative stability of raw material prices on the world market is due very largely to the operation of the British blockade which cut off from overseas supplies, first Germany and, after June, when consumption in the United States began to advance more rapidly, almost the whole of the other Continental countries. But in view of the enormous prospective expansion in America's intake of industrial raw materials, the trend of world market prices is likely to be upwards this year.

Since world market prices, as measured by the American index, have risen by only about 11 per cent since the outbreak of war, the advance in British prices must have been due entirely to higher transport costs, the fall in the sterling-dollar exchange rate and the Government's buying policy. While it is impossible to assess the influence of each of these three factors on the general level of raw material prices, it is pertinent to remember that the 16 per cent rise in the sterling price of the U.S. dollar occurred soon after the outbreak of

war and therefore did not affect prices in 1940. Although the main advance in freight rates also took place in the last four months of 1939, these must have shown a further increase in the past year; moreover, as a result of the collapse of France and the virtual cessation of trade with the Continent, which formerly supplied some 30 per cent (by value) of Great Britain's imports, the Government has had to secure supplies from more distant sources and generally at a higher price. The approximate rise in the prices of a number of important materials since the outbreak of war is shown below:—

INDICES OF RAW MATERIAL PRICES
(August, 1939=100)

	U.K.		U.S.A.	
	December, 1939.	February, 1941.	December, 1939.	February, 1941.
Cotton.....	160	156	122	119
Wool.....	121	167	95	97
Motor Spirit.....	121	135	118	125
Rubber.....	133	148	119	114
Copper.....	124	124	109	112
Lead.....	156	156	126	153
Spelter.....	177	177	103	108
Tin.....	108	148		

Supplies and prices of the majority of imported raw materials were controlled soon after the outbreak of war. Rubber, tin and cotton were important exceptions, though the latter will now be added to the list of controlled commodities, for the Government has decided to become the sole importer of cotton. In the great majority of cases, the Government is securing supplies by means of bulk purchases, but the nature of its contracts show wide divergences. So far as Empire products are concerned, some of them have been bought for the duration of the war, while others have been secured by shorter, but renewable, contracts. Again, some products have been purchased at pre-war prices, adjustable for increases in costs, while others have been bought at fixed prices showing a substantial increase over pre-war levels. For example, the Government has bought the wool clips of Australia and New Zealand for the duration of the war and one year after at a price showing an increase of about 30 per cent over the pre-war level. This agreement was later extended to South Africa. Empire-produced non-ferrous metals have been purchased approximately at pre-war prices, but it is understood that adjustments may be made for increases in costs. Of certain colonial products, such as cocoa, the Government has bought the whole crop, though only part can actually be used; for this uneconomic method of purchasing has been designed to prevent destitution in territories that depended largely on Continental markets. Most purchases outside the Empire have also been made on a bulk basis, often at world market prices. The prices of imported steel and timber, which must now be drawn largely from North America, are appreciably higher than before the war when supplies were obtained chiefly from the Continent. In the case of petrol, purchases are reported to be made through the oil companies at the "Gulf" price. In view of differences in circumstances, divergences in the methods of purchase could hardly have been avoided, though mistakes have no doubt been made here and there, reflected in the disparity between the movement of prices here and in America which can probably not be explained in full by the rise in the sterling price of the U.S. dollar and the increase in transport costs.

The prices of the majority of home-produced materials have also shown a substantial advance, though, as in the case of imports, the rate of increase since the beginning of the war has been anything but uniform. Costs of production have been influenced considerably by the rise in wages, which form a substantial proportion of total costs in the production of primary products, by the in-

crease in the prices of equipment, such as timber in coal-mining, and by the rise in transport costs. Apart from these general factors, the prices of individual commodities have been raised by circumstances special to each, such as a fall in turnover or the need for an increase in output.

The 34 per cent rise in coal prices—the principal home-produced raw material—between August, 1939, and February, 1941, has been caused very largely by the increase in wages and other costs; the levy of 3d. per ton of coal produced, imposed at the beginning of January to compensate individual coal-mines for loss of trade caused by the fall in exports, has contributed only a fraction of the increase. Steel prices have advanced by 41 per cent, but the greater part of this rise has been due to the increased cost of imported materials. The rise in cement prices by 21 per cent, too, can be attributed largely to higher costs. It is in agriculture that the prices of basic materials have shown the heaviest increase; thus, the Ministry of Agriculture's index of the prices of farm crops rose by no less than 66 per cent between August,

1939, and September, 1940. A large part of this increase is due to the raising of minimum weekly wage rates by an average of 12s. to 48s. in July, 1940, but an additional and very important price-raising factor has been the encouragement of the extension of cultivation by the fixing of prices "remunerative" to farmers. As in the case of imported raw materials, Government policy at home has been dictated chiefly by needs.

In general, the Government, in its raw material purchasing policy, both at home and abroad, has been influenced more by the need to secure adequate supplies than by considerations of price. And, as a result, the prices paid have no doubt often been higher than they would have been if economy had been the chief criterion. Thanks to the stability of world prices, however, the prices that have had to be paid for overseas supplies have not been excessive. But if a more marked advance is to be avoided in the future, closer collaboration between the British and American Governments, which will soon be the principal buyers of raw materials on the world markets, seems essential.

Finance and Banking

Big Money Turnover

The position in the short loan market during the past week has been far from static. The turnover of funds has been exceptional, and though the volume of bank cash has at all times been adequate, the individual banks' experiences have varied considerably and conditions have proved distinctly patchy. The Treasury payments on the India stocks have proved an appreciable factor in the market. Part of the funds accumulated for this purpose had for some weeks past been employed in the short loan market and was abruptly withdrawn on Saturday of last week. Its percolation back to the market has proved a fairly sluggish process, and this contributed to the somewhat difficult conditions experienced in the first part of the week. Revenue payments have again been heavy, but their effect, as shown by the latest Exchequer returns, has been more than offset by the record level of Government expenditure. By Thursday whatever signs of tighter credit may have appeared earlier in the week had completely disappeared. The Bank return explains this by showing a jump of £39,130,000 in Discounts and Advances, which no doubt represents temporary accommodation to the India Council granted in connection with the repayments of vested India Government securities. Of this no less than £23,410,000 went to swell bankers' deposits during the week, bringing them up to the comfortable level of £118,597,000.

* * *

Treasury Bill Tactics

The scope for movement and tactics in the discount market, as it now functions, is sufficiently restricted to make such manoeuvring as was evident at last week's tender for Treasury bills noteworthy. It has certainly provided a most fruitful source of market discussion during the past week. The syndicate appears to have got some intimation that the official "outside" applications for bills would fall off appreciably at last Friday's tenders—an assumption which was borne out by the drop in the total applications from the previous week's high figure of £153,845,000 to £131,595,000. Consequently, the syndicate decided that this would be a good opportunity of getting the effective application price for the 92-day bill back to £99 14s. 10d., thus restoring the profit margin to around $\frac{1}{2}$ per cent., as against the wholly negligible figure earned on bills obtained at the previous three tenders. The unofficial outside applicants fell into the trap (if it was a consciously placed trap) with the most unsuspecting innocence. The fact that they were tendering for bills maturing in the last week of June must have removed any doubt about the possibility of a reduction in the syndicate's price of application. The trap was moreover given some spikes by the promise of fairly difficult short loan conditions this week. Most "outsiders" applied for their bills at £99 14s. 11d. and obtained a much larger allotment than has come

their way for many months past. Their reaction to the outcome of the tender was quickly seen in the keen efforts made towards the end of last week to sell bills for forward delivery. Some of these applicants have been appreciably inconvenienced by the ample volume of bills to be taken up by them this week. Most of the banks have been making up, and though there has generally been some outlet for bills, money has been sufficiently "patchy" to cause rates ranging up to $1\frac{1}{2}$ per cent. to be paid by certain quarters. The syndicate, for its part, had to be content with an allotment of merely 17 per cent. With its outside competitors uncomfortably stuffed with bills, the syndicate is obviously well placed for this week's tender, which will no doubt be concentrated on the June 30 maturity.

* * *

Shanghai Exchange Nominal

The past week has proved one of some difficulty for the Chinese dollar. The quotation for it in the Shanghai market has been nominal at 3 $\frac{1}{2}$ d., while the Far-Eastern banks in London have adjusted their rate to 3d. 3 $\frac{1}{4}$ d. The Shanghai market has apparently been dominated by fears of a serious collapse in the Chungking dollar rate. These fears are prompted, first, by the knowledge of the difficulties being encountered in the discussions between Chinese, American and British representatives to formulate a scheme for the continued functioning of the Chinese Stabilisation Fund. In the second place, the Shanghai market has had visible and audible evidence of the more violent phase into which the Chinese currency war has entered. Bombs have this week wrecked the Shanghai offices of the two banks under Chungking Government control, the Bank of China and the Central Bank of China. These outrages are part of the plan of operation for driving the Chungking dollar out of circulation in the Shanghai district and thus for depriving the Chinese Stabilisation Fund of the facilities for control provided by what is by far the most important of the Far Eastern exchange markets. The difficulties that face the Tripartite negotiations can readily be appreciated. The Chungking dollar needs support, since the Government does not retain more than a small fraction of the foreign exchange proceeds of Chinese export trade. But as long as the Shanghai market retains its present freedom and as long as competing and interchangeable domestic currencies circulate, there is evident danger of direct help given to one of these currencies, the Chungking dollar, by unconditional dollar and sterling credits, merely feeding the exchange reserves of the Central Reserve Bank of the Nanking puppet Government. The solution of that particular problem presents considerable difficulties. Until they have been overcome, the Chinese exchange situation must obviously remain precarious—"serious but not critical" seem to be the appropriate adjectives. Meanwhile, it would be erroneous

THE ECONOMIST

TRADE SUPPLEMENT

MARCH 29, 1941

In view of the need to economise paper the Trade Supplement, published monthly until the end of 1940, will in future be published quarterly in the last week of March, June, September and December.

The Trend of Business

THE first quarter of 1941, which was comparatively free from air raids, has witnessed further progress in Great Britain's economic mobilisation.

The reserve of unemployed on which the war industries have hitherto been able to draw has now been almost exhausted. The number of unemployed registered in Great Britain fell from 705,000 on December 9th to 581,000 on February 10th; of these only 200,000 were wholly unemployed men and something like one-half of them were probably "between jobs." In future the war industries will therefore have to secure their labour requirements from unessential and overstaffed occupations. To this end, the Government has asked the consumers' goods industries to concentrate the reduced volume of output into fewer factories; this measure is expected to release 500,000 to 750,000 persons for war work. In addition, the Government has decided to comb out of unessential occupations men over military age and women over twenty years old; and it has curtailed the movement of labour out of essential industries by restricting the right of workers to leave their jobs and of employers to dismiss their workers.

In view of the reduced level of shipping losses between the middle of December and February, the intake of essential raw materials has been fairly substantial, thus rendering possible a further increase in the output of munitions. Supplies of steel and other metals have on the whole been adequate for all essential needs. The flow of raw materials to the steel furnaces has been sufficient to enable them to

operate not far short of capacity; and as the domestic output of steel has been heavily supplemented by imports from America, there has been no shortage for vital purposes. The heavy intake of essential materials has needs compelled a curtailment in imports of cotton and other commodities that are used largely in the manufacture of consumers' goods. And the output of cotton and wool textiles and of other civilian goods has been further diminished. But even at the reduced level of output, supplies are ample for all essential requirements.

The average daily value of retail trade, as measured by the Bank of England's index, has been only slightly lower than a year ago; in January it was 0.3 per cent lower than in the corresponding month in 1940. Sales of merchandise other than food showed a reduction of 8.8 per cent from the figure for January, 1940. The volume of sales has shown a more marked shrinkage, but the scope for further reductions remains substantial.

Transport during the winter months has not been fully adequate to needs; there have been all too many reports of delays at ports, of the late arrival of materials at factories. But these difficulties have been due to the inadequate utilisation of facilities, rather than to a serious shortage of carrying capacity.

On the whole, the first three months of the current year have been spent to good purpose. But economic mobilisation is still far from complete and the need for speed in bringing the process to completion remains pressing.

British Industrial Developments

COAL

In many districts the coal mining industry is suffering from shortage of labour. After the loss of European markets steps were taken to reduce the consequent unemployment by encouraging miners to leave the industry, and now that the industrial demand for coal has so greatly increased it is becoming difficult to meet it. One authority estimates that, manned as it is at present, the industry could not increase its output by more than 5 per cent if every colliery in the country worked full time. The question of transport also continues to hamper the disposal of coal. In South Wales the wagons available under the rationing scheme introduced in January are said to cover less than 60 per cent of the colliery commitments to customers outside the district. Yorkshire mineowners have taken strong action to secure the quicker return of empty wagons, and this has had a noticeable effect in reducing short time. The Durham position has been greatly improved by an increase in seaborne trade. In some districts production is inadequate to meet the industrial demand, but priority orders are being well met.

IRON AND STEEL

Activity in the iron and steel industry has continued at a high level; indeed the flow of raw materials to the steel furnaces has been sufficient to enable them to operate close to capacity. The increase in the output of domestic iron ore and in the collection of scrap has helped to offset the loss of Continental raw materials. In order to ensure a large supply of scrap in coming months the survey of resources begun last year is to be extended to the remainder of the country, i.e., western England, the Home Counties, west Midlands and East Anglia. In addition to the domestic output of steel, heavy tonnages continue to arrive from the United States. Total supplies, in fact, are very large; but so is the demand. And in order to meet all essential requirements it has been found necessary to reduce further allocations for less essential purposes during the second quarter of the year.

CHEMICALS

There has been continued activity in all sections of the chemical market, although in some directions actual quantities on offer for new business were, of course, restricted by the limited supplies available for other than priority needs. Export inquiry has in most cases been in excess of available supplies. The tone of the pharmaceutical and fine chemicals markets remains steady, with no changes to record in the price position. There has been a good demand for most of the coal tar products, prices remaining firm.

FOOTWEAR

The main preoccupation of the footwear trade appears to be with the problem of meeting civilian demands in the face of a shortage of materials which is becoming more marked. The position is likely to be aggravated when the new contracts for service boots are made, as these are expected to be larger than the previous batch. Even for service requirements, though demands have been met, some difficulty has occasionally been experienced in finding the requisite materials.

LINEN

Strong representations by all sections of the industry stressing the vital necessity of maintaining connection with overseas markets have resulted in the release of slightly increased quantities of raw material for certified fabric contracts to "hard" currency countries. High current costs militate against anything in the nature of bulk sales to overseas markets, so the concession gives little actual relief or assistance to producers completely barred from manufacturing for the home trade. Government orders, confined of necessity to relatively restricted quantities of yarn and cloth, offer insufficient alternatives to the normal potential capacity of existing plants.

COTTON

The most striking development in the industry has been the decision that the Controller is to be responsible in future for all imports of raw cotton, and that all supplies will be distributed

by the Government. This means the closing of the Liverpool futures market at the end of March. A company is being formed of members of the Liverpool and Manchester Cotton Associations to assist the Government in classifying and distributing material. Spinners' licences for the use of raw cotton were reduced at the beginning of March, and a further reduction will take place from April 1st to 50 per cent of capacity. Under the concentration scheme it is expected that of the 500 spinning mills and 800 weaving sheds about 200 mills and 300 sheds will be closed. Government requirements will receive first consideration, and then exports, but very little material will be available for ordinary civilian use. Business on ordinary lines has been impossible, partly owing to the withdrawal of preference certificates. Numerous spinners and manufacturers have refused to sell on any terms whatever. A feature of interest has been the further big deal in white cambrics for Java, the orders amounting to 10,000,000 yards. Yarns made from American cotton have been very difficult to buy, and trade has been largely confined to Government contracts. Spinning production, owing to the shortage of raw cotton and operatives, has been further reduced to 65 per cent of capacity.

JUTE

The main concern of the jute industry is the supply of raw jute, for unless fresh supplies are forthcoming from India there will be very little material available by the summer months.

Business Developments Overseas

UNITED STATES

With the passage of the Lease and Lend Act and the virtual certainty of an appropriation of \$7,000,000,000 for its implementation, the United States is rapidly switching over from a peace to a war economy. In spite of the fact that this coincides with the transfer of over a million men into the services this transformation is causing less disturbance than might have been expected, and the labour shortage is being gradually overcome. Labour disputes have been numerous and the public, increasingly impatient of trade unions, has been demanding drastic steps to prevent strikes. The marked success, so far, of the mediation machinery recently set up by the President may, however, it is hoped, render these unnecessary. Increasing Government control over industry is inevitable; already there have been imposed certain restraints on the flow of materials and on the increase in prices, though there seems to be some inclination on the part of Government purchase departments to try indirect control by substituting cheaper materials for those whose prices they consider unreasonable. It is recognised that only a part of the projected expenditure can be met out of taxation, and that there will have to be Government borrowing. The new taxation is expected to bear heavily on the middle incomes, including the higher ranges of wage-earners. All the business indices are moving more or less steadily upward.

BRITISH EMPIRE

CANADA.—Business activity continued to rise during December and employment reached a record level. The increase in Government orders for the iron and steel and automotive industries offset the seasonal decline, itself less than usual, in the food and clothing industries. There was a further increase in constructional activity. The Chairman of the Wartime Requirements Board has tabled a report according to which seven out of ten departments of war supply are progressing satisfactorily. Automotive equipment production is described as "100 per cent perfect," shipbuilding progress is "good," and there is praise for the rapidity with which aerodromes have been constructed for the Empire Training Scheme. The difficulties of organisation and provision of tools for the munitions industries have been largely surmounted, but Canada is dependent on the United States for 80 per cent of her machine tools, and some which are needed for important work have not even been ordered. Some technical difficulties in the production of bombs have not yet been surmounted; aircraft is produced at much greater cost than in the United States, partly for lack of efficient planning; and it appears that the position in respect of the production of tanks is not nearly as satisfactory as it had been represented—according to this report it will be very many months before they begin to appear. On the other hand the forecast is that all constructional enterprises now on hand for the Government will be completed by July 1st.

AUSTRALIA.—Rural production conditions are now good, except in Western Australia, where rain is urgently needed. The wool clip is expected to be nearly as large as last year, though not of such good quality. There are good export surpluses of butter and meat. The munitions and building industries are expanding rapidly. The Budget provides for £A186 millions of direct war expenditure, and it is proposed to obtain £A150 millions by taxation.

SOUTH AFRICA.—The Budget, presented in March, showed both revenue and expenditure higher than the original estimates owing to the increase in industrial activity during the year. Further considerable increases in expenditure and taxation are

Mills and factories may be compelled to close down without waiting for concentration. The Jute Controller has just intimated to manufacturers that he cannot allow them to make or sell any further lots of sandbags, while yarn and cloth can be bought only for essential purposes. Buyers must apply to the Jute Control for certificates of approval to purchase, but their problem is to find sellers, as spinners and manufacturers are not inclined to sell for forward in view of the uncertainty of supplies.

WOOL

The unexpectedly severe cut in the March-June wool ration is likely to encourage speedy plans for concentration. While the position of individual firms differs, the ration provides on the average for somewhat less than half normal day-time running of mills. There is no restriction whatever in raw material for either fabric exports or service clothing needs, and those mills engaged upon Government contracts are working at something like capacity. Not every mill, however, is balanced for this type of production nor is machinery readily adaptable. Some restriction in the weight of yarn to be made available for export orders is anticipated, but it is believed that the reason for this is the concentration on the shipping of fully manufactured goods. Broadly, it can be said that whilst the position is far from comfortable in the industry, there is confidence that vital needs will continue to be satisfied and hardship reasonably ameliorated.

LATIN AMERICA

The year ended in Argentina with an export balance of 71,000,000 pesos, compared with an import balance of 235,000,000 pesos in 1939. In January, 1941, an import balance of nearly 20,000,000 pesos was re-established, but compared with January, 1940, imports fell in value by 50 per cent and exports by 46 per cent. In January, 1941, for the first time in modern history, Brazil ousted Britain from the second place as supplier to Argentina; the United States still headed the list. Surplus stocks of grain are still Argentina's chief problem. The new crops of wheat, linseed and maize are being bought by the Government at basic prices. Old maize is being sold by the Government at very low prices, and the authorities have appealed to consumers to devise all possible means of using maize to assist in disposing of the surplus of some 6,500,000 metric tons for which there is no export market.

Sterling exchange in Chile and Peru is still stringent, with the supply dependent upon British Government purchases of agricultural products.

GERMANY AND GERMAN EUROPE

During the winter 1940-41 Germany's manufacturing industry concentrated on the output of machinery, aeroplanes, ships and railway material, especially locomotives and rolling stock. The shortage of workers and particularly of skilled workers continued. Under the terms of the "Prolonged Four Year Plan" a new drive has begun for the expansion of the coal, iron and steel, electricity, light metals and chemical industries, and also for such substitute industries as synthetic oil, rubber and textile fibres. The industries of Alsace-Lorraine and Luxembourg have been incorporated in the economic administration of the Reich. The heavy industries in occupied countries, as well as in dependent countries such as Hungary and Roumania, have been brought into close contact with German industry. In Lorraine, Luxembourg, Belgium and Holland the coal and iron industries have nearly reached pre-occupation output, but this has not yet happened in occupied France. For each of the occupied and the key industries, and some are already in operation. The second new factor is the placing of war orders with manufacturing industries in occupied countries. There are also reports that export orders received from Russia and other neutral countries are executed by industries in occupied countries. The new industrial centres in Eastern Germany and Poland are slowly taking shape. Poland are rapidly being expanded. Official sources indicate that Germany's foreign trade with Continental countries exceeded pre-war levels at the end of 1940. The new trade agreements with Russia, Sweden and Italy aim at considerable increases in the volume of trade. The multilateral clearing system under German control is being enforced wherever Germany's control is effective, and at present eleven countries transact their clearings through the Central Clearing Institute in Berlin. There is a marked contrast between the development of the price levels in Germany and that in the occupied and dependent countries. The indices of wholesale prices and the cost of living in Germany remained stable after a slow but steady advance during 1940. In the Balkan countries the increases in wholesale price indices from January, 1940 to 1941, ranged from 18 per cent to 65 per cent. The occupied countries showed similar advances.

OVERSEAS COUNTRIES

	Unit of Measurement	Monthly Average						1939			1940					
		1929	1932	1936	1937	1938	1939	Oct.	Nov.	Dec.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
I. BRITISH COUNTRIES																
AUSTRALIA (Population 1939: 6,997,000; Area: 7,704,000 sq. kms.)																
1. Retained imports	Million £ stg.	10.69	4.26	7.17	8.36	8.78	8.00	7.32	7.39	7.71	10.10	12.63	8.75	8.92	9.59	9.06
2. Domestic exports	Million £ stg.	7.91	7.84	10.63	12.31	11.09	10.06	9.94	15.68	14.05	11.50	11.66	10.69	9.66	10.66	13.06
3. Unemployed Trade Unionists (a)	Thousands	47	120	54	42	41	47	94	98	93	93	93	93	93	93	93
4. Wholesale prices (Melbourne)	1929=100	100.0	78.3	85.6	91.9	92.2	92	94	98	90	93	93	93	93	93	93
5. Cost of living (a)	"	100.0	80.7	82.7	84.9	87.2	89	92	98	90	93	93	93	93	93	93
CANADA (Population 1939: 11,301,000; Area: 9,542,000 sq. kms.)																
6. Business activity (b)	1929=100	100	58	90	99	90	99	110	109	108	116	119	127	131	132	132
7. Retained imports	Million Can. \$	108.2	37.7	52.9	67.4	56.5	62.6	79.1	84.6	72.1	90.7	89.5	96.8	80.3	108.6	102.3
8. Domestic exports (c)	"	102.1	46.7	85.7	93.7	79.7	77.0	91.4	98.5	102.0	111.6	101.5	111.4	102.8	106.8	98.7
9. Applicants for work (d)	Thousands	15	75	90	88	105	104	95	108	96	104	103	94	81	87	88
10. Wholesale prices	1929=100	100.0	69.8	78.0	88.4	82.2	79	83	84	85	85	86	87	87	87	88
11. Cost of living	"	100.0	81.5	80.9	83.2	84.1	83	85	85	85	87	87	87	88	89	89
12. Price of industrial securities	"	100.0	23.7	74.3	77.4	64.4	62	66	64	62	42	43	45	50	49	49
13. Commercial bank deposits (d)	Million Can. \$	2,163	1,844	2,230	2,282	2,394	2,594	2,531	2,601	2,594	2,430	2,464	2,511	2,659	2,540	2,588
EIRE (Population 1939: 2,934,000; Area: 69,000 sq. kms.)																
14. Retained imports	Million £	5.021	3.453	3.282	3.624	3.618	4.258	3.851	4.260	4.258	4.828	4.074	3.401	2.905	...	...
15. Domestic exports	"	3.852	2.098	1.831	1.853	2.020	2.242	2.666	2.832	3.020	2.654	3.033	2.920	2,515	...	...
16. Applicants for work	Thousands	20.70	62.82	99.83	82.42	68.71	93	82	118	108	59	60	62	65	...	...
17. Cost of living (a)	1929=100	100.0	89.2	90.9	96.8	98.5	101	17.2	17.6	18.0	116	116	116	117	...	...
18. Notes in circulation	Million £	14.2	13.4	15.1	15.7	16.9	18.0	17.2	17.6	18.0	18.1	18.6	19.0	19.2	19.9	...
INDIA (Population 1938: 362,828,000; Area: 4,684,000 sq. kms.)																
19. Retained imports	Million rupees	208.6	110.7	101.9	132.9	125.2	129.1	101.5	116.3	127.0	105.0	107.2	97.1	121.1	118.6	115.5
20. Domestic exports	"	268.8	112.6	150.5	168.8	135.2	151.0	144.0	167.5	200.2	169.8	134.0	142.5	162.5	144.9	151.2
21. Wholesale prices, Calcutta	1929=100	100.0	64.5	64.5	72.3	67.6	76	84	93	97	81	81	...	...	...	...
22. Cost of living, Bombay	1933-34=100	...	...	...	101	106	106	108	109	113	111	113	114	...	...	...
NEW ZEALAND (Population 1940: 1,641,000; Area: 268,000 sq. kms.)																
23. Retained imports	Million £ N.Z.	3.998	2.001	3.637	4.638	4.570	4.097	3.278	2,826	3,010	4,846	4,008	5,067	4,189	3,952	3,148
24. Domestic exports	"	4.515	2.915	4.689	5.517	4.817	4.784	3.855	3,174	3,395	9,441	4,076	4,531	3,125	...	...
25. Wholesale prices	1929=100	100.0	89	96	103	105	108	110	112	113	120	122	124	125	127	127
26. Cost of living	"	100.0	83.5	86.1	91.9	94.6	98	99	102	101	102	102	104	105	...	...
SOUTH AFRICA (Population 1939: 10,160,000; Area: 1,222,000 sq. kms.)																
27. Retained imports	Million £ S.A.	6.59	2.61	7.01	8.38	7.75	...	5.51	7.36	7.07	8.49	9.00	9.14	7.20	8.76	7.42
28. Domestic exports	"	3.91	1.58	2.40	3.05	2.46	...	2.54	3.10	3.43	2.02	2.41	2.24	2.17	2.08	2.60
29. Wholesale prices	1929=100	100.0	79.0	85.0	87.0	90.0	98	90	91	93	97	97	98	99	101	101
30. Cost of living	"	100.0	89.9	88.5	90.5	93.8	94	93	94	94	97	97	97	98	98	98
II. OTHER COUNTRIES																
UNITED STATES (Population 1938: 130,085,000; Area: 3,026,789 sq. miles; 7,839,492 sq. kms.)																
1. Indus. production, F.R.B. (j) (k)	1935-39=100	110	58	103	113	88	108	121	124	126	121	121	121	125	129	132
2. Minerals, F.R.B. (j) (k)	"	107	66	90	112	97	108	119	120	115	118	120	114	116	113	117
3. Manufactures, F.R.B. (j) (k)	"	110	57	104	113	87	108	121	124	122	122	121	122	127	131	141
4. Coal production	Million m. tons	46.0	27.2	37.5	37.4	29.3	33.3	46.1	42.4	37.3	33.6	36.7	39.0	38.5	40.8	41.1
5. Electricity generated	Million kw. hrs.	8,113	6,842	9,461	10,083	9,450	10,858	11,861	11,661	12,077	11,485	12,091	12,450	11,977	13,063	12,751
6. Steel production	Thous. m. tons	4,599	1,128	3,973	4,182	3,357	3,875	5,099	5,577	5,282	5,019	5,076	5,473	5,848	5,862	5,700
7. Index of new orders, N.I.C.B.	1935-39=100	140	45	109	108	85	116	141	133	121	144	161	158	176	197	...
Building contracts awarded:																
8. Residential	Million \$	159.6	23.3	66.8	75.5	82.2	111.2	118.3	116.6	88.7	135.3	140.4	153.0	152.4	152.8	159.3
9. Other	"	319.6	89.3	156.1	184.4	184.2	185.5	143.6	183.2	265.4	189.4	258.3	261.9	185.3	234.6	296.9
10. Output of Private cars	Thousands	382	88	306	326	167	239	252	286	374	259	286	291	224	421	407
11. "Commercial vehicles	"	64	20	65	72	41	59	62	67	78	59	63	69	45	72	80
12. Cotton consumption	Thous. bales	587	418	692	712	419	492	614	687	719	650	565	623	655	629	771
13. Index of Rly. car loadings (j)	1929=100	100	52.8	67.9	74.7	59.2	66.6	75.5	77.4	73.6	70.8	70.8	71.6	72.6	72.6	79.2
14. Index of Dept. Store sales (j)	"	100	62.2	79.2	83.6	76.7	89.1	81.2	85.6	86.5	82.0	82.9	88.3	89.4	84.7	90.1
15. Retained imports	Million \$	382	110	202	251	163	190	207.1	214.5	232.7	205.2	217.9	214.4	206.3	212.0	253.1
16. Domestic exports	"	430	131	202	275	255	260	332.1	286.9	357.2	344.4	312.3	342.8	336.2	321.3	321.3
17. Factory employment, F.R.B. (j)	1929=100	100	62.6	93.4	101.0	81.5	92.5	96.5	98.8	103.3	93.7	93.4	93.7	93.4	100.4	109.1
18. Pay rolls, Dept. of Lab.	"	100	42.6	78.4	93.5	78.5	89.3	92.9	93.4	95.2	89.7	88.2	95.3	100.9	104.9	105.1
19. Hourly earnings, N.I.C.B.	"	100	84	105	120	123	124	124.2	125.3	125.7	127.0	127.6	127.8	127.9	128.3	129.7
20. Av. hours of work, N.I.C.B.	Number	48.3	34.8	39.7	39.3	34.5	37.6	39.9	39.1	39.1	38.0	38.1	38.5	39.0	39.9	39.9
21. Applicants for work	Thousands	100	77.9	84.8	88.4	83.6	85.2	85.2	85.0	84.5	81.3	81.3	81.5	81.2	81.8	83.6
22. Cost of living, N.I.C.B.	1929=100	100	68.0	84.8	90.6	82.5	80.9	83.3	83.1	83.3	75.1	72.5	72.5	71.6	72.3	75.5
23. Wholesale Prices, D. of Lab.	"	100	56.5	82.0	86.9	73.8	72.0	74.1	74.3	75.1	72.0	82.9	82.0	82.6	84.6	85.9
24. "Raw materials	"	100	63.2	80.8	90.8	80.3	80.9	88.5	87.4	87.1	85.2	85.6	85.7	86.2	86.0	87.4
25. "Semi-manufactures	"	100	74.4	86.8	92.2	87.0	85.2	87.1	86.8	86.4	85.2	85.6	85.7	86.2	86.0	87.4
26. "Finished goods	"	100	45.9	77.2	82.5	65.3	63.4	64.0	64.2	64.4	63.2	63.4	62.5	63.1	63.3	66.4
27. "Farm products	"	100	24.4	57.3	69.0	52.6	55.5	60	58	57	45	46	47	50	50	51
28. 347 Indus. securit's, Standard Statistics	Million \$	321	360	766	712	641	...	3,186	3,877	4,706	9,664	831	1,539	2,209	3,169	3,987
29. Federal Expend. Total (l)	"	336	173	343	441	420	...	1,769	2,177	2,745	5,926	331	778	1,489	1,822	2,184
30. Federal Receipts (l)	"	1,459	2,077	2,481	2,554	2,610	...	2,762	2,762	2,593	2,591	2,484	2,516	2,435	2,412	2,304
31. Total Res. Bank credit	"	3,996	3,952	10,578	12,163	10,578	12,215	17,002	17,217	17,518	19,871	20,463	20,871	21,106	21,499	21,755
32. Gold stock	"	4,476	5,398	6,101	4,775	6,510	7,171	7,328	7,413	7,609	7,780	7,883	8,006	8,006	8,265	8,465
33. Money in circulation	"	2,358	2,114	5,989	6,830	7,935	10,460	11,862	11,688	11,473	13,723	13,498	13,516	13,748	14,177	14,292
34. Member Bank Res. Balances	"	43	256	1,512	1,220	2,522	4,460	5,490	5,550	5,011	6,801	6,514	6,487	6,905	6,931	6,615
35. "Excess Reserves	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
36. Member Banks in 101 towns:	"	22,599	10,980	22,064	22,198	21,023	22,417	22,571	22,966	23,333	23,591	23,787	24,140	24,293	24,420	24,862
37. Loans and investments	"	...	...	14,619	15,097	15,033	17,331	18,511	18,742	18,892	20,524	20,847	20,878	21,011	21,442	21,890
38. Deposits: Demand	"	...	...	6,788	5,666	4,992	5,202	5,112	5,234	5,267	5,333	5,341	5,361	5,378	5,376	5,493
39. Bank debits excl. N.Y. City	"	...	...	27,602	12,808	18,308	19,901	17,054	18,200	19,029	18,638	18,331	18,311	18,267	21,305	20,819
40. Call money	"	...	...	3.60	3.66	2.65	2.68	2.56	2.36	2.60	2.46	2.35	2.39	2.28	2.10	1.0
41. Yield on Govt. bonds	"	...	...	595	99	164	175	191	336	89	82	396	129	110	257	293
42. Capital issues, C.F. Chronicle	Million \$	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
ARGENTINA (Population 1939: 13,130,000; Area: 2,793,000 sq. kms.)																
1. Retained imports	Mill. paper pesos	163.3	69.7	93.1	129.8	121.7	111.5	109.1	117.4	142.5	123.2	139.3	121.1	111.8	115.7	91.4
2. Domestic exports	"	180.6	107.3	138.0	162.9	176.7	131.1	127.2	129.6	155.1	118.8	102.8	89.2	61.3	60.5	78.6
3. Wholesale prices	1929=100	100.0	77.7	90.5	92.8	100.0	92	112	123	125	126	128	127	127	126	127
4. Cost of living	"	100.0	...	...	...	...	...	94	94	98	97	97	95	95		

	Unit of Measurement	Monthly Average						1939			1940						
		1929	1932	1936	1937	1938	1939	Oct.	Nov.	Dec.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
11. OTHER COUNTRIES—contd.																	
SWEDEN (Population 1939: 6,341,000; Area: 449,000 sq. kms.)																	
16. Industrial production (i).....	1929=100	100	88	135	149	146	155	158	159	160	134	133	133	131	133	134	134
17. Retained imports.....	Million kroner	148.6	96.2	136.1	177.0	173.5	208.2	219.1	274.1	257.8	136.4	139.9	123.1	147.5	139.4	155.2	149.2
18. Domestic exports.....	"	151.0	79.0	126.2	100.7	153.0	157.4	159.7	180.5	154.5	80.2	91.9	97.4	106.1	103.9	123.9	120.9
19. Wholesale prices.....	"	100.0	95.7	80.7	78.8	75.3	79	85	87	80	143	146	146	148	154	157	157
20. Cost of living (49 towns).....	1935=100	100.0	92.4	92.9	95.3	97.8	101	106	105	111	111	110	110	110	110	120	120
21. Price of industrial securities.....	"	100.0	37.3	67.3	78.8	75.3	73	66	61	57	61	60	56	50	59	67	65
SWITZERLAND (Population 1939: 4,216,000; Area: 41,000 sq. kms.)																	
22. Retained imports.....	Million francs	227.6	146.9	105.5	150.6	133.9	157.4	171.5	227.5	224.3	130.5	79.2	80.4	91.5	119.2	139.2	151.0
23. Domestic exports.....	"	174.8	68.8	73.5	107.2	109.7	108.1	94.6	104.6	120.1	80.3	81.2	113.1	97.6	129.3	130.7	134.8
24. Wholesale prices.....	1929=100	100.0	88.0	67.7	78.8	75.3	79	85	87	80	99	100	103	108	110	114	114
25. Cost of living (34 towns).....	"	100.0	85.7	80.7	84.9	85.1	86	87	88	88	93	94	94	95	97	99	99
26. Price of industrial securities.....	"	100.0	52.6	81.0	105.6	130.4	127	121	123	125	108	109	110	111	112	118	118
TURKEY (Population 1935: 16,158,000; Area: 768,000 sq. kms.)																	
27. Retained imports.....	Million livres	12.94	87.17	7.79	0.53	12.49	0.83	6.88	6.38	5.55	6.80	3.96	4.53	5.08	3.91	5.50	5.38
28. Domestic exports.....	"	12.94	8.44	9.81	11.50	12.08	10.62	18.09	12.05	11.55	5.80	5.03	3.16	7.37	6.42	11.04	11.87
29. Wholesale prices.....	1929=100	100	56.0	62.0	64.5	61.1	63	59	62	68	72	72	72	72	72	72	72
30. Notes in circulation.....	Million livres	149	181	169	194	281	280	276	281	342	344	351	357	384	393	403	403

RAW MATERIALS AND CRUDE FOODSTUFFS

Commodity	Unit of Measurement	Monthly Average						1939		1940						1941	
		1929	1932	1936	1937	1938	1939 (a)	Nov.	Dec.	Jan.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
OIL																	
1. Production: Dutch East Indies	Th. metric tons	437	424	536	605	616	662	654	693	664	700	587	650	673	680	...	...
2. " Mexico	"	556	408	511	578	471	525	522	482	454	432	...	583	...	...	...	...
3. " Iran (Ang.-Ir. Oil)	"	462	549	628	871	911	811	712	834	740	884	...	...	...	...	...	...
4. " Roumania	"	403	612	723	606	550	520	511	520	515	517	524	441	468	399	420	...
5. " U.S.A.	"	11,509	8,070	12,550	14,597	13,679	14,254	15,138	15,534	15,308	15,322	14,954	14,793	15,345	14,404	14,953	...
6. " U.S.S.R.	"	1,206	1,791	2,193	2,307	2,405	2,461	2,427	2,508	2,508	2,531	...	...	...	...	...	...
7. " All Principal Countries	"	17,145	15,048	20,575	23,486	22,886	...	...	...	...	...	...	...	...	...	...	...
8. Stocks: U.S.A. end year	million barrels	422	340	288	306	273	238	231	234	238	262	266	268	262	262	262	262
9. Price: U.S.A. Mid-Cont. crude	cents per barrel	123.3	81.3	104.0	115.2	110.2	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0
COPPER																	
10. Production (Smelter) U.S.A.	Th. metric tons	83.2	23.2	55.4	74.2	48.6	63.2	74.2(e)	74.2(e)	81.5	72.0	72.5	71.0	78.8	76.7	77.2	75.0
11. Stocks: U.S.A. (b)	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
12. Price: Std. cash, London (c)	£ per ton	75.48	31.71	38.48	64.53	44.8	42.75	46.0	62.0	62.0	62.00	62.00	62.00	62.00	62.00	62.00	62.00
13. " Electrolytic, N. York	Cents per lb.	18.11	5.56	9.47	13.17	9.17	10.97	12.28	12.28	11.95	11.56	10.71	11.30	11.83	12.00	12.00	12.00
LEAD																	
14. Production: (Smelter) U.S.A.	Th. metric tons	54.1	21.1	30.8	36.0	31.4	38.0	40.6	38.6	42.8	32.1	33.4	37.7	35.6	4.09	...	...
15. Stocks: U.S.A. (b)	"	49.7	159.4	155.9	117.0	121.1	53.3	52.7	53.2	62.1	43.00	39.3	35.5	32.1	32.5	...	...
16. Price: Std. Foreign, London (c)	£ per ton	23.25	11.00	17.60	23.33	15.28	14.69	16.63	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
17. " Pig, New York	cents per lb.	6.83	3.18	4.71	6.01	5.15	5.05	5.50	5.50	5.47	5.00	4.85	4.93	5.31	5.30	5.50	5.50
SPELTER																	
18. Production: (Smelter) U.S.A.	Th. metric tons	47.3	15.7	37.4	42.1	34.5	40.7	48.6	52.6	51.4	46.4	45.3	48.2	51.2	51.2	54.3	...
19. Stocks: U.S.A. (b)	"	70.1	113.2	40.8	68.8	116.3	59.9	55.8	59.9	59.5	53.3	40.5	28.1	20.3	16.3	11.7	...
20. Price: G.O.B., London (c)	£ per ton	24.88	13.58	14.90	22.25	13.98	14.16	15.00	25.75	25.75	25.75	25.75	25.75	25.75	25.75	25.75	25.75
21. " prime western, St. Louis	Cents per lb.	6.51	2.88	4.90	6.52	6.03	5.11	6.50	5.98	5.64	6.25	6.39	6.92	7.25	7.25	7.25	7.25
TIN																	
22. Production: Bolivia	Long tons	3,862	1,715	2,006	2,085	2,114	2,265	3,821	3,549	2,256	3,088	2,815	3,149	3,615	4,784	4,584	3,115
23. (Exports) Dutch E. Indies	"	2,993	1,307	2,640	3,315	1,752	2,607	3,165	4,987	2,740	4,347	3,571	4,058	4,486	4,265	5,267	3,272
24. " British Malaya	"	5,781	2,479	5,567	6,462	3,604	4,662	6,620	8,469	5,578	6,120	7,222	9,056	6,604	6,845	9,865	5,767
25. " Thailand (Siam)	"	828	772	1,056	1,365	1,125	1,416	1,471	2,190	1,875	1,122	1,484	1,292	1,583	1,529	1,969	1,150
26. " World	"	15,682	8,267	15,000	17,242	12,475	15,359	19,400	27,600	15,100	20,900	18,800	23,200	21,000	20,400	28,000	17,500
27. " Quota of Restricting Countries	% of std. quanty.	...	42.8	92.5	107.5	53.8	76.2	100.0	100.0	120	130.0	130.0	130.0	130.0	130.0	130.0	130.0
28. Consumption: U.K.	Tons	2,518	1,542	1,822	2,164	1,524	2,273	3,826	2,209	2,620	2,756	2,322	1,733	2,308	2,123	2,193	1,740
29. " U.S.A.	"	7,298	2,938	6,304	7,222	4,224	5,333	7,870	11,366	9,780	7,325	12,470	11,410	11,820	12,505	9,558	12,700
30. " World	"	14,834	8,755	13,225	16,592	12,625	13,808	16,500	23,200	22,400	20,900	18,800	23,200	21,000	20,400	28,000	12,700
31. Stocks: U.S.A. (b)	"	2,820	4,496	5,095	6,385	5,157	3,302	3,283	3,302	1,746	6,587	6,583	9,438	6,623	4,362	9,179	9,440
32. World: Total stocks (b)	"	27,229	68,427	26,702	38,330	49,414	50,407	50,607	50,407	44,570	48,830	62,638	62,824	53,890	55,278	60,982	50,560
33. Price: Std. cash, London (c)	£ per ton	203.9	136.0	204.6	242.3	189.8	226.3	230.0	249.1	240.9	265.8	262.6	251.3	258.1	258.4	257.1	256.8
34. " Straits, New York	Cents per lb.	45.19	22.01	46.42	54.24	42.28	49.56	52.24	50.64	46.73	51.59	51.18	50.32	51.50	50.56	50.11	50.11
TEA																	
35. Exports: Ceylon	Million lb.	21.0	21.1	18.2	17.9	19.6	19.0	17.3	24.5	18.0	18.5	19.2	21.6	19.2	15.2	23.1	17.0
36. " Dutch East Indies	"	13.3	14.5	12.8	12.2	13.2	13.3	14.2	13.4	12.6	9.6	17.1	14.2	14.2	12.9	18.3	...
37. " British India	"	32.0	30.8	26.2	27.6	23.8	27.2	31.1	49.1	38.5	...	...	...	...	...	...	...
38. " World	"	80.6	77.7	70.3	73.5	77.0	76.9	76.3	108.5	83.4	...	...	...	...	...	...	...
39. " Quota of Restricting Countries (d)	% of std. quanty.	...	...	82.5	87.5	92.5	95.0	95.0	95.0	95.0	92.5	92.5	92.5	92.5	92.5	92.5	92.5
RUBBER																	
40. Exports: D. E. Indies	Thous. tons	21.22	17.58	25.81	35.97	24.84	31.00	30.33	23.92	54.15	60.48	46.63	44.02	50.14	36.99	35.33	58.00
41. " British Malaya	"	38.05	33.80	29.48	39.16	31.40	31.40	35.77	33.23	26.22	42.86	45.87	58.89	52.77	39.05	56.26	37.00
42. " World	"	72.20	59.05	71.30	94.59	74.58	83.70	85.69	88.35	108.88	127.31	120.86	133.73	126.91	99.74	128.22	126.00
43. " Quota of Restricting Countries	% of std. capacity	...	...	62.50	83.75	55.00	58.75	75.0	75.0	80.0	85.0	85.0	85.0	90.0	90.0	90.0	100.0
44. Consumption: U.K.	Thous. tons	6.02	6.50	6.59	9.55	8.91	10.23	11.31	11.18	11.15	12.50	12.50	12.50	12.50	12.50	12.50	12.50
45. " U.S.A.	"	38.95	28.08	47.79	45.3	36.42	49.25	55.98	49.64	54.98	47.01	50.48	52.61	56.48	54.65	56.54	60.00
46. " All Imp'tg. count.	"	67.12	57.79	86.07	90.06	77.90	91.61	97.63	91.95	105.0	74.55	75.95	76.71	85.98	83.15	83.54	95.00
47. " Reclmd. in U.S.A.	"	18.08	6.46	10.84	13.25	11.17	16.55	14.32	16.30	14.30	14.30	14.30	14.30	14.30	14.30	14.30	14.30
48. Stocks: U.S.A. end year and mch.	pence per lb.	110.25	2.34	7.75	9.90	7.22	0.00	105.2	125.8	142.4	190.2	212.8	212.8	212.8	212.8	212.8	212.8
49. Price: London, N. York, and mch.	cents per lb.	20.5	3.4	16.4	19.3	14.6	17.5	20.1	11.63	11.84	12.41	12.88	12.88	12.88	11.82	270.7	318.5
50. " N. York, st. sm. sheet.	cents per lb.	20.5	3.4	16.4	19.3	14.6	17.5	20.1	11.63	11.84	12.41	12.88	12.88	12.88	11.82	270.7	318.5

iums dropping from 57.2 per cent. to 40.5 per cent. A rise in marine premiums is in accordance with market forecasts, and it remains to be seen whether the business will ultimately prove profitable.

In the final table, (compiled from the directors' report) the allocation of the profits from the various branches is exhibited. The directors have considered it prudent to transfer to investment reserve, additional reserve, and contingency funds an aggregate of £6,600,000, which leaves only £856,856 remaining from the profits of £7,456,856. Of this remaining item £533,808 is absorbed by bonuses to the outdoor staff, which presumably are a normal part of the agents' remuneration and, therefore, not susceptible of too elastic treatment. In the circumstances the directors' decision to declare no reversionary bonuses this year is fully justified, and interim bonuses have been reduced to £1 per cent and 16s. per cent in the ordinary and industrial branches respectively against maximum bonus rates of £1 14s. per cent and £1 4s. last year and £2 6s. and £1 12s. the previous year. Dividends for the year on the A shares are lower at 10s. 9.78 pence, against 11s. 5.56 pence; on the B shares the dividend remains at 2s. per share. These dividends are free of income tax, and in order to meet them and the bonuses to outdoor staff, already referred to, it has been necessary to raise £585,000 from the special contingency fund (in accordance with Article 135 of the Articles of Association) plus an income tax adjustment of £207,144, a total of £792,144. In the balance-sheet the assets aggregate nearly £365,000,000, against £354,000,000. British Government securities amount to £95,300,000, an increase of £17,000,000. The values of Stock Exchange securities generally have been compared with market prices on December 31, 1940, and on the basis of such prices it is certified that the assets, less the investment reserve and contingency funds taken into account, are in the aggregate in excess of the value stated.

The affairs of the "Prudential" approved societies are referred to by the chairman in his statement. Membership has increased substantially, now exceeding four and a quarter millions, and a total of over £4,000,000 was paid in benefits.

United Kingdom Provident; Scottish Life; Scottish Temperance and General.—The accompanying tables summarize the principal items from the 1940 accounts of these three Offices. The *United Kingdom Provident* became a hundred years old on November 9th, 1940, and the Chairman (Sir Ernest Benn) was able in his interesting review to point to a century's good work and to a satisfactory statement of accounts. The reduction in new business is only slightly below the average for all offices, notwithstanding that in the circumstances of the past year it has been thought unwise to press for new business. The aggregate premium income is but slightly affected by the decline in new business, and the fall in net interest is in accordance with the general trend. Although claims by death are substantially increased, the Chairman was able to say that they represent only 87 per cent. and 98 per cent. of expectation in numbers and amounts respectively, including all war claims which the institution has been called upon to meet. Commission and expenses are down, owing to reduced commissions on new business; in connection with expenses it is worth noting that the institution has set up a reserve of £45,200 for war damage insurance contributions. In the balance-sheet Stock Exchange securities are taken at the values at which they stood on December 31st, 1938, being the date of the last valuation, and at cost price in the case of investments since made; on market quotations at the end of 1940 they showed a depreciation covered by the investment contingency reserve of £1,000,000. The

PRUDENTIAL—ALLOCATION OF PROFITS

	Ordinary Branch	Rise or Fall	Industrial Branch	Rise or Fall	General Branch	Rise or Fall	All Branches Combined	Rise or Fall
Underwriting profits (transferred from Table II)	£ 2,222,331	— 697,000	£ 4,882,020	— 1,080,510	£ 241,082	+ 38,121	£ 7,345,442	— 1,739,395
Interest on General branch funds not included in underwriting profits ..	...	...	...	...	111,414	— 14,534	111,414	— 14,534
Total profits	2,222,331	— 697,000	4,882,020	— 1,080,510	352,496	+ 23,587	7,456,856	— 1,753,929
Investment reserve	750,000	+ 150,000	1,250,000	+ 400,000	100,000	— 25,000	2,100,000	+ 525,000
Contingency funds	1,375,000	+ 1,375,000	3,100,000	+ 3,100,000	25,000	+ 2,225	25,000	+ 2,225
Special contingency fund	...	...	— 792,144	— 792,144	...	...	— 792,144	— 792,144
Income-tax and N.D.C.	...	...	...	...	95,000	+ 35,000	95,000	+ 35,000
Bonuses to policy holders	95,715	— 2,002,770	120,000	— 3,405,231	...	...	215,715	— 5,408,001
Bonuses to outdoor staff	...	...	533,808	— 109,897	...	...	533,808	— 109,897
Dividends	2,220,715	— 477,770	4,211,064	— 807,272	220,000	+ 12,225	6,652,379	— 1,272,817
	10,635	— 222,530	672,500	— 111,943	133,333	...	816,468	— 334,478
Addition to balance	2,231,350	+ 700,300	4,884,164	+ 619,215	353,333	+ 12,225	7,468,847	+ 1,607,200
	— 9,019	+ 3,300	— 2,135	— 161,301	— 837	+ 11,362	— 11,991	— 146,689
Total allocation ...	2,222,331	— 697,000	4,882,020	— 1,080,510	352,496	+ 23,587	7,456,856	— 1,753,929

* £585,000 adjusted for income-tax.

institution is interested in real estate as ground landlords, mortgagees, freeholders and leaseholders to the extent of some £10,000,000, and it is pleasing to learn that the proportion of this property partly damaged or wholly destroyed by bombs and fires is only in the neighbourhood of 2 per cent. or 3 per cent. No interim bonuses are being paid, the board taking the view that war and bonuses are incompatible. During the year the fire, accident and general business in the United Kingdom of the Dominion of Canada General Insurance Company was taken over and a subsidiary office formed, known as the United Kingdom Fire and Accident Company Limited, to conduct these classes of insurance.

The *Scottish Life* shows a rather heavy fall in new business, but premium income is well maintained. In regard to the slight increase in death claims, the chairman stated at the meeting that these were well within expectation, notwithstanding the inclusion of a number directly due to the war. The marked drop in expense ratio is due largely to reduced commission and also to a fall of £6,000 in expenses. In the balance-sheet there is an increase of nearly £500,000 in British Government securities, the chairman indicating that the proceeds of matured investments, of securities requisitioned by the Government, and of certain other sales have been devoted almost exclusively to the purchase of new Government issues. Stock Exchange securities generally and fixed assets appear at or below cost, with a certificate to the effect that in the belief of the signatories the assets set forth in the balance-sheet are in the aggregate fully of the value stated. The quinquennial valuation was made

as at the end of 1940 on the same basis as five years previously, namely, for life assurance contracts the British Offices' A1924/29 Mortality Table at 2½ per cent. interest, and for annuity contracts the British Offices' Annuity Tables at 3 per cent. interest. The surplus amounted to £829,794, and the directors have declared a bonus addition to fully participating policies at the rate of £1 per cent. per annum (slightly under half the previous rate) at a cost of £382,868. The balance of £346,005 is being carried forward as an undivided surplus, and is stated to be far in excess of the sum which would be required to pass from a 2½ per cent. to a 2½ per cent. valuation. Interim bonuses will be at the rate of £1 per cent. subject to alteration by resolution of the directors at any time.

In regard to the *Scottish Temperance and General*, here again a substantial fall in new business has had but little effect on premiums. The balance-sheet shows an increase of £174,000 in British Government securities, representing practically the whole of the investments made during the year. Stock Exchange securities in general stand at or below the values at which they were taken at the date of the last valuation on December 31st, 1937, any stocks since acquired having been entered at or under cost price. No provision is made for depreciation. The chairman stated that depreciation is largely covered by undivided profits in the life and other departments of the business and that should it still exist at the end of 1942 (next valuation date) the matter will be dealt with. Meanwhile the directors consider it prudent to make no payment of interim bonus.

NEW BUSINESS AND PRINCIPAL INCOME AND OUTGO ITEMS FROM LIFE ACCOUNTS

	United Kingdom Provident		Scottish Life		Scottish Temperance and General	
	1940	Rise or Fall	1940	Rise or Fall	1940	Rise or Fall
New business—net sums assured	£2,615,097	—£1,438,347 (55.5%)	£697,345	—£1,025,293 (59.5%)	£614,930	—£546,283 (47.0%)
Income—Premiums	£1,804,484	— £43,528 (2.4%)	630,411	— £15,022 (2.3%)	£615,382	— £23,046 (3.6%)
Net interest	£913,351	— £10,259 (1.1%)	£225,877	— £20,200 (8.9%)	£289,110	— £15,977 (5.5%)
do. rate earned	£3 12 5½	— £0 1 9½	£3 13 1½	— £0 5 9½	£3 7 7½	— £0 4 5½
Claims by death	£930,370	+ £110,784 (13.3%)	£291,132	+ £10,437 (3.6%)	£322,450	+ £64,630 (20.0%)
do. maturity	£992,181	— £22,680 (2.3%)	£420,246	+ £44,837 (10.7%)	£417,215	+ £85,203 (20.4%)
Surrenders	£225,330	— £54,765 (24.3%)	£72,390	— £18,878 (26.1%)	£58,086	— £22,206 (38.2%)
Outgo—Commission and expenses	£253,499	— £15,878 (6.3%)	£91,822	— £15,108 (16.3%)	£85,100	— £10,509 (11.0%)
do. ratio to premiums	14.0%	— 0.6%	14.4%	— 2.0%	13.8%	— 1.2%

Investment

Treasury and Municipal Stocks

The second reading of the Public Works Loans Bill has thrown no fresh light on the methods to be adopted for the conversion of maturing municipal loans, and there continues to be much speculation as to the form the new offers will take. There is considerable doubt in the market as to whether individual authorities will offer such terms as they think fit, or whether the whole sum of £32,750,000—Captain Crookshank puts the maximum at £34,000,000—will be dealt with in two or three major operations. There is also the question whether some, at least, of the corporations will not wish to borrow for a short term of years rather than for 15 to 20. In view of the practice of controlling all issues of trustee status before the war, it seems extremely probable that the Treasury will insist upon all the offers being cast in one mould. If they were ordinary issues to the public, this might mean paying rather more in interest than would otherwise be necessary, but, with the Government a firm underwriter of any balance not taken in conversion, the Treasury can put forward whatever scheme suits it best. They can also decide, if they so wish, to concentrate the whole operation on two or three dates. That the Treasury will elect to institute central borrowing for local authorities at this juncture seems more than doubtful. It is perhaps not generally appreciated that only a moderate percentage of municipal borrowing takes place through the issue of stock exchange securities. A return, relating to end March, 1940, for virtually all local authorities in England and Wales, showed total loan debt of £1,679,890,000, of which £637,490,940 was in stocks, and an almost equal amount in mortgages, other than Public Works Loan Board mortgages, which were placed at some £280 to £300 millions. These three items account for 92 per cent of the total, while stocks alone cover less than 38 per cent. It would be reasonably easy to centralise public issues, when such are permitted, but very difficult to deal with over-the-counter mortgages, and there seems little point in tackling only the minor item. As to the borrowing period, the average paid for 15 to 20-year loans over the past 50 years or so has been around 3½ per cent and borrowing for 20 years at anything like 3½ per cent would almost certainly be considered good business. The issue of loans on equal terms for all has already been fought out, and it is a surprising fact that present quotations continue to reflect pre-war preferences at least as much as the influences of compulsory evacuation and the "Blitz." On the whole, it is perhaps probable that there will be no marked change in procedure. In any case, holders who are not attracted by the offer of 3½ per cent stock at a small discount should begin looking for alternatives. The decision of Birkenhead to redeem half its outstanding stock has little effect on the general position, since few of the corporations have the option of partial repayment. Owing to a transposition of figures the average rate of interest on the £32,750,000 of stock convertible, was given last week as 4.45 instead of 5.44 per cent.

Rayon Concentration

For some years past, the market for rayon shares has enjoyed periods of excitement at the prospect of a fusion between the two leading manufacturers, Courtaulds and British Celanese. Shortly before the war, it seemed probable, perhaps for the first time, that a very close alliance, if not an amalgamation, would be secured. War raised problems of a fiscal nature which caused the plan to fall through, but, in revealing this last March, Mr Courtauld stated that alternatives were being explored. Now there comes a conjunction of forced restriction of sales, official demands for concentration, and—best of all for the holder of British Celanese—a

very large addition to the already adequate cash resources of Courtaulds, as a result of the sale of Viscose Corporation. The argument in favour of amalgamation has always been plausible, but its practicability must depend on the terms demanded by British Celanese, whose ordinary capital is largely in private hands. So large a proportion of the total output of the country comes from the two firms, that the complete closing of the few others would not save them from a considerable measure of restriction, and those who suggest that more economical operation would result from a complete fusion are probably justified. The re-emergence of the idea has had the not unusual, but illogical, effect of depressing the shares of the putative buyer and raising those of the seller. Courtaulds ordinary, which had improved over 5s. on the Viscose sale, fell back some 2s. to 30s., while Celanese 10s. ordinary, which have received no dividend in 20 years, rose 9d. to 4s., and the 20s. 7½ per cent second cumulative preference, with some ten years arrears of dividend, improved 6d. to 10s. 6d. In view of the history of the company, and of the general uncertainty of the future, these prices seem unduly high and it is difficult to see the board of Courtaulds offering anything like a fancy price to get rid of a competitor whose financial position is inferior to their own. This is rendered even more improbable by the existence of agreements throughout the rayon industry for fixing prices of yarns and fibres and of other working arrangements, which a year ago were described as functioning with complete satisfaction to all concerned. In all the circumstances, concentration in rayon should not present insurmountable difficulties, even without a fusion of Courtaulds and British Celanese which would create a virtual monopoly. On the basis of current prices, it would cost something under £8,250,000 to acquire the whole share and loan capital, and it is virtually certain that no such cash payment would be permitted without severe restrictions on its use. Control would be obtained for £3,250,000, but Courtaulds might well object to retaining in being £2,500,000 preference capital carrying as high a rate as 7 per cent.

A Courtaulds Valuation

A report, which although unconfirmed, is believed to be soundly based, suggests that the price the Treasury is to receive for the Viscose Corporation is \$150,000,000, on the basis of which it is evident that the receipt of Courtaulds should be at least £33,000,000, after allowing for 5 per cent retained in the U.S.A. and certain expenses. Without accepting this figure as authoritative, it is interesting to make a rather more detailed valuation of the ordinary capital upon this basis. The accounts at the end of last year showed floating assets of £17,500,000, against which there were creditors of under £4,000,000 and provisions for staff pensions and contingencies to a total of £1,742,000, leaving a net figure of £12,000,000. Deducting £8,000,000 for the preference capital and adding £33,000,000 of cash there remains a cover of £37,000,000 for £24,000,000 of ordinary capital, or 30s. 10d. per unit, now quoted at 30s. This valuation takes no credit at all for fixed assets valued, probably on a conservative basis, at £9,425,000, or for the company's interests in Canada and in continental Europe, nor, apparently in such growing concerns as British Cellophane and Nylon Spinners. The immediate outlook is, of course, poor, but recovery may be expected in the measure that increase in output is permitted. If the figure of cash receipts suggested is reliable it would, with existing investments, even if placed in 2½ per cent bonds, yield an income sufficient to cover the preference dividend and leave almost 2½ per cent for the ordinary. If this figure is considered extravagant, the other extreme of receipts, the £20,000,000 given last week would give a return of 1½ per cent on the ordinary and provide a cover of cash and

liquid assets for their full nominal value, leaving 10s. per unit to be covered by trade investments and fixed assets. Even this figure makes little allowance for post-war recovery.

Electrical Equipment Results

The results of two leading electrical engineering and equipment companies, *Associated Electrical Industries* and *British Insulated Cables*, show good progress in 1940. Profits of the former concern are substantially higher, before tax. There is a small reduction in the amount earned for equity from £409,086 to £395,360, but the rate is up by 0.6 at 13.9 per cent. *British Insulated* realised a small rise in total profits after tax, but, with a substantially higher depreciation provision, the earned rate is slightly reduced from 28.8 to 28.7 per cent. Both companies have adequately covered ordinary dividends, which are maintained at 10 per cent for *Associated Electrical* and at 20 per cent for *British Insulated*. The following table provides a comparative analysis of profits over the past two years:

	Associated Electrical Equipment		British Insulated Cable	
	1939	1940	1939	1940
Profit after contingencies*	£ 1,461,253	£ 1,716,170	£ 783,224	£ 786,232
Fees, etc.	10,988	6,475	17,026	18,333
Depreciation	234,956	261,283	158,617	209,022
Taxation	758,220	992,900	—	—
Debt interest	—	—	35,000	383
Prof. dividends	67,997	60,152	57,500	57,500
Ordinary stock:—				
Earned	409,086	395,360	515,081	500,394
Paid	307,615	283,006	400,000	400,000
Earned %	13.3	13.9	28.8	28.7
Paid %	10	10	20	20
Reserve†	100,000	100,000	113,334	100,000
Dividend equalisation	253,118	265,472	488,305	488,699
Carry forward	—	—	—	—

* And after tax for British Insulated Cable.

† £100,000 to War Contingencies for British Insulated Cable in 1939 and 1940.

The speech of the acting chairman of *British Insulated*, Mr T. H. Martin-Harvey, which is circulated with the report, points out that the provision of extra depreciation of £51,005 is due to the necessity of operating the company's plant under war conditions. The directors have brought the total of War Contingencies Reserve, which they consider must be still further increased, to £200,000, and have also made full provision for the company's estimated liability under the War Damage Bill. Expenditure on plant and buildings amounted to £224,516, although the application of depreciation reveals a rise in the value of this item in the balance-sheet of only £14,894 to £1,974,752. Cash holdings are sharply reduced from £630,520 to £93,760, thereby financing a rise in stocks from £1,588,580 to £2,108,731. All but £1,500 of the company's debenture stock has now been surrendered for redemption and no interest has been payable on the residue since January 4, 1940. The consolidated balance-sheet of *Associated Electrical Industries*, on the other hand, shows cash holdings which have more than doubled at £1,342,543, while stock is over £2,000,000 higher at £9,003,496, rises which are financed mainly by an increase of some £2,800,000 in creditors to £10,829,848. The £1 ordinary stocks of the two companies offer sound yields, *Associated Electrical* £1 stock giving £5 3s. 11d. per cent at the current price of 38s. 6d., while *British Insulated*, at 81s. 3d. ex dividend, offers £4 18s. 6d. per cent.

★ ★ ★

Lampport and Holt Record Earnings

The realisation, for the calendar year 1940, of the highest total profits, after taxation, earned since Lampport and Holt started operation under the present management in 1934 is an indication that very adequate profits can be obtained from full use of tonnage under the Government requisition scheme. Total earnings amount to £198,095, against £121,694 in 1939 and

£187,082 in 1937, the previous best year. With an allocation of £40,000 for depreciation of fleet, against £100,000 in 1937, the surplus for ordinary stock stands at £147,392 against £85,349 in 1939, when the previous highest equity earnings were realised, and represents a rate of 24.3 against 11.5 per cent. After repeating the 6 per cent dividend, the carry forward is up from £61,443 to £155,267. The directors report the loss of three vessels from enemy action during the year and the principal changes in the balance-sheet are associated with this development, and, with the assumption by the Ministry of Shipping of responsibility for new building. As a result, there is a fall in fixed assets, including tonnage building, of some £266,000 on the year, and the appearance of a tonnage replacement reserve of £261,356. In consequence of these changes, there is an increase in the excess of floating assets over current liabilities of £622,000, in round figures. In particular, despite the repayment of a loan totalling £126,000 and the acquisition of Government and other securities to the tune of £100,040, cash holdings are up from £218,725 to £841,654. Moreover, the company has £29,600 standing to its credit on Government tonnage replacement account. After the recent rally in shipping share prices, the 6s. 8d. stock units, at 7s. 1½d. ex dividend, offer a yield of £5 12s. 4d. per cent.

★ ★ ★

Cammell Laird and Hadfields

Both these companies, which are intimately concerned in the output of munitions, have made good progress during 1940. Despite an increasing tendency to veil the movement of gross earnings from the investor by non-disclosure of depreciation and tax provisions, it is clear that, in both cases, total earnings last year were substantially above those for 1939. Thus, *Hadfields'* profits, struck after tax and depreciation, amount to £297,496, against £302,368. The balance-sheet shows provision for taxation and contingencies of £994,920, against £727,085. After meeting normal prior charges, the equity surplus is very slightly reduced at £251,859, against £255,523, representing a rise in the earned rate from 35.1 to 40.6 per cent, and, after meeting the usual 22½ per cent ordinary dividend, the carry forward is increased from £475,802 to £588,167. The *Cammell Laird* accounts tell much the same tale. Profits, net of tax and depreciation, are actually rather higher at £266,116, against £250,851, and the balance-sheet shows that depreciation was increased from £55,662 to £69,863. It cannot be too strongly deplored that the directors find it necessary to withhold the tax provision, which in 1939 amounted to £300,000. With an available surplus of £241,852, against £225,394, the 10 per cent ordinary dividend was covered by a rate of 23.7, against 18.7 per cent, and, after providing £100,000 for reserve as in the three previous years, the carry forward reaches a new high level for the decade at £104,813, against £65,029. It is encouraging that *English Steel*, in which *Cammell Laird* is substantially interested, has secured a rise in profits after tax from £891,074 to £912,497. Since depreciation is increased by £50,000 to £400,000, the surplus for dividends is slightly reduced. The absence of a consolidated statement is regrettable. The balance-sheets of both companies show a large excess of floating assets over current liabilities, but it is not clear why *Hadfields*, with gilt-edged holdings of £687,237, should continue to run a bank loan, whose amount is now disclosed at £390,651. Yields are generous. The 5s. ordinary stock of *Cammell Laird*, at 6s. 6d., yields £7 13s. 7d. per cent. *Hadfields'* 10s. shares, at 21s. 6d., offer £10 9s. per cent.

★ ★ ★

British Aluminium Profits

In 1940, British Aluminium total profits slipped back from the record figure of £1,075,796, which was reached in the previous year, to £912,211, a decline which must be attributed to rising costs and to separation from the company's continental subsidiaries, as well as to tax demands. With a cut in the ordinary dividend from 12½ to 10 per cent, covered by earnings of 16.9 per cent, and an allocation of £100,000 against £150,000, to general reserve, the carry forward is, however, once more increased to £194,796. The following table provides a

detailed analysis of the trend of profits over the past three years:

	Years ended December 31		
	1938	1939	1940
Total profits	909,851	1,075,796	912,211
Income tax	50,000	175,000	150,000
Directors' fees	27,181	28,250	29,055
Depreciation	50,000	50,000	50,000
Debt service	175,000	175,000	175,000
Preference dividend	90,000	90,000	90,000
Ordinary stock:—			
Earned	517,670	557,546	418,156
Paid	375,000	375,000	300,000
Earned %	19.1	21.9	16.9
Paid %	12½	12½	10
Reserve account	100,000	150,000	100,000†
Carry forward	144,094	176,640	194,796
† £500,000 taken from Reserve to cover losses in France and Norway.			
As is indicated in the speech of the chairman, Mr. R. W. Cooper, circulated with the report, the company is now			

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.)

ONE HUNDRED AND TWENTY-FIFTH REPORT OF THE BOARD OF DIRECTORS to the Ordinary Yearly General Meeting of Shareholders, held at the Offices of The Hongkong and Shanghai Banking Corporation, 1 Queen's Road Central, Hongkong, on Wednesday, the 26th February, 1941, at 12 noon.

TO THE SHAREHOLDERS OF THE HONGKONG AND SHANGHAI BANKING CORPORATION

LADIES AND GENTLEMEN.—The Directors have now to submit to you a General Statement of the affairs of the Bank and Balance Sheet for the year ending 31st December, 1940.

The net profits for the year, together with \$3,411,329.55, balance brought forward from last account, after paying all charges, deducting interest paid and due, and making provision for bad and doubtful accounts and contingencies, amount to \$17,411,199.54.

The Directors recommend writing off Bank Premises Account the sum of \$1,000,000. After deducting \$1,000,000, the Interim Dividend of £2 10s. 0d. per Share, paid on 12th August last, viz.: £400,000 at 1s. 2½d. = \$6,453,781.51, and remuneration to Directors, there remains for appropriation \$9,876,745.77, out of which the Directors recommend the payment of a Final Dividend of £2 10s. 0d. per Share, viz.: £400,000, which, at 1s. 2½d., the rate of the day, will absorb \$6,453,781.51.

The Balance, \$3,422,964.26, to be carried to New Profit and Loss Account.

The sterling equivalents of the Assets and Liabilities are shown at 1s. 2½d., the rate ruling on the last day of the year.

DIRECTORS

During the year Mr. H. V. WILKINSON and Mr. D. F. LANDALE resigned their seats on leaving the Colony, and Mr. L. J. DAVIES and the Hon. Mr. J. J. PATERSON joined the Board in their stead.

The Hon. Mr. J. J. PATERSON has been elected Chairman for the year 1941, with Mr. W. H. LOCK as Deputy Chairman.

The Hon. Mr. A. L. SHIELDS, the Hon. Mr. T. E. PEARCE and Mr. K. S. MORRISON retire in rotation, but being eligible for re-election, offer themselves accordingly.

AUDITORS

The Accounts have been audited by Mr. JOHN FLEMING, C.A., and Mr. H. R. FORSYTH, C.A., who offer themselves for re-election.

J. J. PATERSON,
Chairman.

HONGKONG, 11th February, 1941.

ABSTRACT OF ASSETS AND LIABILITIES				GENERAL PROFIT AND LOSS ACCOUNT			
31st December, 1940				31st December, 1940			
LIABILITIES		Sterling Equivalent		Dollars		Dollars	
Authorised Capital:—							
400,000 Shares of £125 each	\$50,000,000						
Issued and Paid-up Capital:—							
100,000 Shares of £125 each	1,239,583	6	8	20,000,000.00			
Reserve Liability of Shareholders:—							
\$125 per Share on 100,000 Shares	20,000,000						
Issued	\$20,000,000						
Sterling Reserve	6,500,000	0	0	104,873,949.58			
Hongkong Currency Reserve	619,791	13	4	10,000,000.00			
Notes in Circulation:—							
Authorised Note Issue against Securities deposited with the Crown Agents for the Colonies	1,859,375	0	0	30,000,000.00			
Excess Note Issue against Hongkong Government Certificates of Indebtedness	10,566,915	4	1	170,401,405.00			
Current Accounts	47,376,429	3	11	764,392,807.19			
Fixed Deposits	7,222,380	1	2	116,528,350.52			
Bills Payable:—							
(Including Call Loans and Short Sight Drawings on London Office and Drafts on London Bankers)	947,952	12	10	15,294,098.11			
Acceptances on Account of Constituents	220,057	18	10	3,560,514.67			
Profit and Loss Account	674,131	12	9	10,876,745.77			
Liability on Bills of Exchange re-discounted, £3,873,107 11s. 10d., of which £3,478,734 10s. 11d. have since run off.							
	277,226,566	13	7	\$1,246,008,470.84			
ASSETS		Sterling Equivalent		Dollars		Dollars	
Cash in Hand	8,801,887	3	11	142,013,642.15			
Hongkong Government Certificates of Indebtedness	10,585,383	13	11	170,789,383.09			
British Government, Indian, Colonial and Other Securities	18,227,374	10	5	294,088,731.78			
Bills Discounted, Loans and Credits	25,832,150	16	9	416,737,643.78			
Bills Receivable and Balance of Remittances and Drafts in Transit	12,397,149	8	8	200,021,234.69			
Liabilities of Constituents for Acceptances, per Contra	220,057	18	10	3,560,514.67			
Bank Premises	1,162,563	1	1	18,757,319.88			
	277,226,566	13	7	\$1,246,008,470.84			
Sterling Exchange taken at 1/2½.							
V. M. GRAYBURN, Chief Manager.				T. J. J. FENWICK, Chief Accountant.			
We have audited the above Abstract of Assets and Liabilities with the Books, Vouchers and Securities at the Head Office and with the certified Returns from the Branches and Agencies (excluding Lyons and Hamburg) made up to 31st December, 1940, with the exception of certain distant offices where the year is closed on 31st October or 30th November.				J. J. PATERSON, S. H. DODWELL, T. E. PEARCE, Directors.			
We have obtained all the information and explanations we have required. In our opinion such Abstract is full and fair, and properly drawn up so as to exhibit a true and correct view of the Corporation's affairs according to the best of our information and the explanations given to us and as shown by the Books of the Corporation.				JOHN FLEMING } Chartered Accountants.			
HONGKONG, 7th February, 1941.				H. R. FORSYTH } Auditors.			

J. J. PATERSON, S. H. DODWELL, T. E. PEARCE, Directors.

We have audited the above Abstract of Assets and Liabilities with the Books, Vouchers and Securities at the Head Office and with the certified Returns from the Branches and Agencies (excluding Lyons and Hamburg) made up to 31st December, 1940, with the exception of certain distant offices where the year is closed on 31st October or 30th November.

We have obtained all the information and explanations we have required. In our opinion such Abstract is full and fair, and properly drawn up so as to exhibit a true and correct view of the Corporation's affairs according to the best of our information and the explanations given to us and as shown by the Books of the Corporation.

JOHN FLEMING } Chartered Accountants.

H. R. FORSYTH } Auditors.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

DURING the past week, markets have shown themselves more than usually sensitive to rumours regarding the Balkan situation. Favourable reports have been the signal for substantial buying of leading gilt-edged and home rail issues, aided on the technical side by the release of payments on the requisitioned India stocks. Momentary optimism, however, did not spread to the industrial or commodity markets which remained rather dull with little business passing, a condition to which the gilt-edged market returned toward the end of the week, following unmistakable evidence of German penetration of Yugoslavia.

★

After the previous Friday's quiet close in the *gilt-edged* market, with 3½ per cent War Loan down ½ and both 2½ and 4 per cent Funding lower by ½, prices staged a significant recovery at the opening of the present week. On Monday, the most noticeable improvements were rises of ½ for 2½ per cent Consols and Local Loans; of ½ for 4 per cent Consols and 4 per cent Funding and of 4 points for Bank stock. Later, the upward movement was temporarily checked, though prices generally remained firm, sentiment being encouraged by lower shipping losses and by the resignation of Marshal Graziani, while in midweek, 5½ per cent War Loan touched a new high level for more than four years at 104½. In the *foreign bond* market, there was renewed demand for Brazilian Funding issues, but few other stocks found favour. Greek issues suffered a number of losses of ½ point and the German Potash loans eased the same amount on Monday. Chinese issues remained firm, but certain Japanese bonds, including the 6 per cent issue of 1924 and the 4 per cent issue of 1889, were lower on balance.

★

Enthusiasm for the *senior home rail* issues was the most notable feature of last week's stock market activity. "Brums" and London Transport were most in demand, London Transport 5 per cent "B" stock rising 2 points on Tuesday. Southern 5 per cent preference was also in demand and there was some enquiry for LMS ordinary and Southern preferred. There was little activity among foreign rails. Canadian Pacific preference moved uncertainly, losing ½ before the week-end which they subsequently recovered.

★

In the *industrial* market, interest centred round the rumoured possibility of a merger between Courtaulds and British Celanese. Consequently, Courtaulds started the week with a loss of 1s. 3d., while British Celanese improved 9d., but later, speculative interest receded. Breweries were a weak section, a large number of issues, including Bass and Mitchells and Butlers, losing 1s. at the beginning of the week, when Ind Coope was 1s. 6d. lower. Heavy industrials were not dealt in in a large way and there were few significant changes. Among general industrials, "Emmies," Boots and ICI all suffered moderate losses, but Associated Portland Cement, Brazilian Traction and International Nickel returned to favour. There was also a further revival of interest in the shipping section.

★

The demand for *kaffirs* was alternately stimulated by optimistic reports from the Cape and depressed by the

submission of the Yugoslav Government. Crown Mines and Springs found support and, before the week-end, Sub Nigel gained ½, when, among copper shares, Rhokana also improved ½. This rally was, however, followed by a fall of ½ on Monday, when, in the *diamond* market, De Beers deferred rose by the same amount. There was little business in the *rubber* market, although Anglo-Dutch showed to advantage. In the oil market, transactions were concentrated on preference issues and Anglo-Iranian found support, as did also Shell Transport ordinary.

★

Elections to office at the first meeting in 1941-42 of the Committee for General Purposes of the Stock Exchange, London, resulted in the return of Mr Robert Barclay Pearson as chairman; of Mr. Robert Pelham Wilkinson as deputy-chairman and of Mr Arthur Louis Francis Green as secretary. There is widespread regret at the failure of Mr W. B. Morison to obtain a seat. This implies no disagreement whatever with the new regulations, in whose formation he played a prominent part.

"FINANCIAL NEWS" INDICES

1941	Approx. Total Bargains in S.E. List	Corres. Day 1940	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Mar. 20 ..	2,195	3,714	68.0	127.2
" 21 ..	2,474	3,174	68.0	127.3
" 24 ...	3,160	3,714	67.7	127.5
" 25 ...	2,410	4,033	67.5	127.5
" 28 ...	2,495	3,977	67.3	127.7

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1941: highest, 73.7 (Jan. 17); lowest, 67.1 (Mar. 14). 20 Fixed Int., 1941: highest, 127.7 (Mar. 20); lowest, 126.1 (Jan. 2).

New York

In a week in which sentiment was overcast by anxiety regarding developments in the Balkans and by the continuation of labour trouble at the Bethlehem Steel Works, price movements on Wall Street were predominantly narrow and irregular. After the week-end, some selective buying was evident and a few issues in the steel, motor and shipbuilding sections gained fractionally. Later in the week, the tone was increasingly subdued, though a good demand for rail stocks was maintained, thanks to record car-loading figures. In midweek, the tone was again subdued and irregular.

The *Iron Age* estimates steel mill activity at 100 per cent of capacity, against 99.5 per cent in the previous week.

New York Prices

STANDARD STATISTICS INDICES (1928 = 100)

	1941		Mar. 5, 1941	Mar. 12, 1941	Mar. 19, 1941
	Low Feb. 18	High Jan. 15			
347 Industrials	84.9	696.0	86.8	88.7	89.0
82 Rails.....	25.4	28.0d	26.2	26.5	26.6
40 Utilities....	72.5	78.7	74.1	75.4	74.4
419 Stocks ...	73.3	82.15	75.0	76.5	76.5
Av. yield*.....	6.65% (High)	6.13% (Low)	6.46% (b)	6.31%	6.31%

* 50 Common Stocks. (a) Jan. 22. (b) Jan. 8. (c) Feb. 11.

DAILY AVERAGE 50 COMMON STOCKS

Mar. 13	Mar. 14	Mar. 15	Mar. 17	Mar. 18	Mar. 19
97.10	97.20	98.00	97.80	98.20	97.60

1941 High: 105.80, January 10. Low: 92.40, February 14.

Total share dealings: Mar. 19, 540,000; Mar. 20, 490,000; Mar. 21, 470,000; Mar. 22, 270,000; Mar. 24, 370,000; Mar. 25, 450,000.

	Close Mar. 18, 1941	Close Mar. 19, 1941		Close Mar. 18, 1941	Close Mar. 19, 1941
1. Railroads					
Balt. & Ohio...	31	31	Celanese of A.	23	22
Gt. Nthn. P.	25	25	Chrysler	66	64
Illinois Cent.	68	7	Curt. Wr. "A"	26	26
N.Y. Cent.	123	123	Eastman Kdk.	134	135
Northern Pac.	6	6	Gen. Elec.	33	32
Pennsylvania	23	24	Gen. Motors	49	48
Southern	12	13	Inland Steel	76	76
			Int. Harv.	48	47
2. Utilities, etc.			Int. Nickel	26	26
Amer. Tel.	161	161	Liggett Myers	86	83
Amer. W'Wks.	5	5	Nat. Dairy	13	13
Pac. Light	35	35	Nat. Distillers	21	20
Pub. Sv. N.J.	25	24	Nat. Steel	57	55
Stb. Cal. Ed.	25	26	Proct. Gamble	54	54
United Gas	8	8	Sears Roebuck	73	71
			Shell Union	11	11
3. Commercial and Industrial			Socony Vac.	8	8
Amer. Tel.	18	17	Stan. Oil N.J.	35	35
Am. Roll. Ml.	14	13	20th Cen. Fox	6	6
Am. Smelting	40	39	U.S. Steel	58	57
Anacosta	24	24	West'ise El.	95	93
Briggs	21	21	Woolworth	30	30
			Yngstn. Sheet	34	35

Capital Issues

Week ending March 29, 1941	Nominal Capital	Conversions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction...	250,000	Nil	255,000
By Permission to Deal	Nil	Nil	Nil
Net Savings Certs.†	4,180,148	Nil	4,180,148
3% Defence Bonds(u)	4,428,445	Nil	4,428,445
2½% Nat. War Bonds†	Nil	Nil	Nil
Ditto, 2nd issues(u)	9,216,930	Nil	9,216,930
3% Savings Bonds(t)	4,969,479	Nil	4,969,479

† Week to March 18, 1941. ‡ Week to March 18, 1941, making total since June 25, £444,418,358. (s) Total sales to March 25, £243,300,290. (t) Total sales to March 18, 1941, £69,102,139. (u) Total sales January 2, 1941, to March 18, 1941, £121,453,512.

Year	Including Conversions	Excluding Conversions
1941 (New Basis) ...	291,133,301	291,133,301
1940 (New Basis) ...	725,709,016	372,763,843
1941 (Old Basis) ...	290,723,416	290,723,416
1940 (Old Basis) ...	721,528,433	368,773,366

Destination (Conversions Excluded)

Year	U.K.	Brit. Emp. ex U.K.	Foreign Countries
41 (New Basis) ...	288,584,198	2,549,103	Nil
40 (New Basis) ...	372,385,331	368,502	Nil
41 (Old Basis) ...	288,223,416	2,500,000	Nil
40 (Old Basis) ...	368,630,844	142,456	Nil

Nature of Borrowing (Conv. Excl'd.)

Year	Deb.	Pref.	Ord.
41 (New Basis) ...	288,584,198	8,511	2,180,562
40 (New Basis) ...	368,635,006	336,677	3,732,200
41 (Old Basis) ...	288,223,416	Nil	2,500,000
40 (Old Basis) ...	368,055,000	77,500	640,806

"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

Birkenhead Corporation.—This corporation will repay on July 1, 1941, one half of every holding of the outstanding £654,923 4½ per cent Redeemable Stock 1940-1960.

Industry and Trade

Scrap and Steel Supplies

On July 27th last year Mr. Herbert Morrison, then Minister of Supply, announced that a comprehensive survey was to be made by the Steel Control in collaboration with the surveyors of the local authorities of all heavy iron and steel scrap in the form of railings, lerelect factories, pitheads and other obsolete structures. In view of the vital need of ensuring a continuous flow of raw materials to the steel furnaces, eight months would seem to have been more than adequate for the completion of this survey. Yet it is reported that the survey is still incomplete and that supplies in some twenty counties—in western England, the Home Counties, the west Midlands and East Anglia—have still to be scheduled. While it appears that the survey is now to be completed, the delay seems incomprehensible. True, raw material supplies—ore and scrap—have hitherto been adequate for the maintenance of steel production at a high level. But if the current rate of output is to be maintained and if provision is to be made for contingencies, it is essential to make sure well in advance that the requisite supplies of scrap will be available.

★ ★ ★

Concentration in Cotton Trade

As a first step towards the concentration of production in the cotton industry, some 80 out of a total of 550 spinning mills will be closed next week and their 24,000 operatives released for war work as a result of the exhaustion of their raw material supplies. The process is likely to continue, for a further 80 mills, which have received only a small allocation of raw cotton for April to enable them to complete orders on hand, are expected to be closed early in May. At the one end of the scale are those—chiefly spinners of fine and medium yarns—who have been told that they will get no more cotton until the position improves. At the other end are the producers of coarse yarns which are needed for Government and vital export work. These have been allocated the same amount of cotton for April as for March, while some have had their supplies increased. This applies especially to the Royton and Oldham districts which are already turning out yarn for the war effort at high pressure. In cases where they are short of labour for maximum production, they will be able to recruit from operatives released from closed mills. Combines have been affected as well as individual firms. For instance, one combine will have to close 20 per cent of its mills immediately and will be producing at only 50 per cent of capacity from next May. Spinners with reduced rations will be allowed to pool their resources and produce in some of their mills while closing others. Those which are kept open must be run at capacity and contribute towards the maintenance of those which are closed. Part-time working will be permitted only as a temporary measure and firms will not be encouraged to delay the process of concentration. The weaving branch will not be affected for a few weeks, but manufacturers will not be able to accept new orders for export until they know whether they can obtain the necessary yarn.

★ ★ ★

Improvement in North-East Coal Trade

Despite the dislocation in transport caused by the severe snowstorm of some three weeks ago, from the effects of which the North-East has not yet completely recovered, the coal trade in all its departments has shown considerable improvement. In consequence, throughout the whole of this coal area there is now a desire to increase production by opening more seams. There is, however, a shortage of suitable miners, as so many have left the district to train for work in munition factories. It has been estimated that in Durham, which has suffered more than Northumberland from the collapse of European markets, 16,000 men have left the mining industry and found work elsewhere. There are now only some 4,000 miners idle, but it is known that these men are not altogether suitable for the employment that is available. This improved position is attributed principally to the greater increase in the shipment trade brought about by the better supply of tonnage directed to North-East ports. There

has been a large arrival of tonnage loading "bunkers only," also there are shipments to foreign coaling stations and this district has some trade with South America and Egypt. Greater use has been made of sea-borne traffic to relieve rail congestion. There is no doubt that much larger quantities of North-East coal would be acceptable by consumers in Lancashire and the South, even at the considerably higher price than that of their local coal, but with the rail transport difficulties it is being found imperative to adhere strictly to the "priority" list, so that in Lancashire only those consumers engaged upon war production are obtaining regular supplies.

★ ★ ★

Rural Budgets

The *Ministry of Labour Gazette* for February contains a third article in the series on working-class budgets. This time the budgets were collected, not directly, but through the National Federation of Women's Institutes. They were furnished by 366 families for one week in each of the months October, 1937, January, April and July, 1938. The families all lived in rural villages, and in most cases the head of the family was an agricultural worker, but a small number of other workers was included. The families without children were under-represented, so that the average composition of the family was 4.25, whereas in the collection of purely agricultural budgets, obtained directly by the Ministry of Labour, it was 3.79. The budgets all came from England and Wales, whereas the official inquiry covered Scotland and Northern Ireland. In spite of these differences, the correspondence between the figures obtained in the two surveys is most striking. The main results of all three inquiries are tabulated below:—

DISTRIBUTION OF WEEKLY EXPENDITURE PER HOUSEHOLD

	Industrial		Agricultural		Rural	
	s. d.	%	s. d.	%	s. d.	%
Rent	10 10	12.5	4 9	8.2	4 7	8.1
Food	34 1	39.6	27 9	47.9	28 1	49.5
Clothing	9 4	10.8	5 10	10.0	5 3	9.3
Fuel and Light	6 5	7.4	4 11	8.6	4 9	8.4
Other Items	25 7	29.7	14 8	25.3	14 0	24.7
Total	86 3	100	57 11	100	56 8	100

The figures for food do not include the value of home-grown produce or of food provided by employers, which latter is estimated to have averaged about 10½d. per family per week. This inquiry does not add very much to the result of the last, but it provides very satisfactory independent confirmation of its substantial accuracy.

★ ★ ★

Priority for Munitions in America

Although the United States still has a substantial margin of unused manufacturing capacity, competition for materials and machinery between producers of civilian goods and munitions is bound to hamper the fulfilment of the armaments programme unless steps are taken in good time to give war factories the first call upon vital supplies. The difficulty appears to have been foreseen, for the Office of Production Management has already devised the machinery of a priority organisation to be directed by Mr E. R. Stettinius, jun. Priority certificates are to be issued by the Army and Navy Munitions Board, and the priority organisation of the Office of Production Management is to ensure their application with as little disturbance as possible to ordinary production. Industry has been classified into five groups—minerals and metals, chemicals, commercial aircraft, tools and equipment, and general products; executives have been appointed to each of them to operate the scheme. It appears that the authority of the priority executives is derived chiefly from that of the President in his capacity as Commander-in-Chief of the Armed Forces, but also from the Selective Service Act and other recent laws. But as the expansion of the munition sector of industry gathers momentum it may not be possible to ensure it adequate supplies without more than a little disturbance to "ordinary produc-

tion." In fact, the rationing of essential materials will become as essential in America as it is in Great Britain if her capacity to produce the tools of war is to be developed to the full.

Price Control in America

Despite a sharp contraction in producers' stocks, United States prices of copper and spelter have been kept stable at 12 cents and 7.25 cents per lb. respectively since the end of September last. In normal times the depletion of stocks would certainly have raised prices by leaps and bounds. The fact that a rise has been prevented is mainly due to the intervention of Mr Leon Henderson, the member of the Defence Advisory Commission in charge of prices, who last September issued a warning to producers that he would take stern measures in case of further increases. In the meantime the United States Government has strengthened its hold on the prices of the two metals. As regards copper, it has contracted for the purchase of 235,000 tons of Chilean copper and will enter into further buying orders within the next few weeks in order to secure all necessary supplies at the present price. In spelter the Defence Advisory Commission concluded an arrangement with the trade last week under which both producers and traders pledged themselves to sell only to genuine consumers in order to eliminate speculators. Under the same arrangement the present price was reaffirmed as adequate and fair by both producers and consumers. Copper and spelter, however, are not the only products for which measures have been taken to keep prices down. In the case of tungsten ore the United States Government has recently begun to release large tonnages from its stocks to defence works whose own reserves are exhausted. It has been announced that releases have only been made to prevent these consumers from entering the open market and forcing up prices. As regards iron and steel scrap, for which indirect price stabilisation is extremely difficult owing to the lack of uniformity in the commodity, a maximum price schedule is being prepared by the Defence Advisory Commission to prevent prices from rising above \$20 per ton, free Pittsburgh. It is likely that similar measures will gradually be taken for the majority of other raw materials required in the production of arms. The prevention of speculative rises in raw material prices not only keeps arms production costs down, but constitutes also a striking example to private producers in the United States. In the past the majority of United States raw material producers always showed a bias for high or rather too high prices. In some cases, amongst which copper is the most outstanding, this policy has virtually undermined the United States' predominant position on the international market. As the country's producers will probably fare well under the existing controlled and semi-controlled prices, they may well learn from their present experience that larger sales at lower prices can secure better results than lower sales at higher prices. But it remains to be seen whether the Government's powers are sufficient to prevent rises in price when situations of great scarcity arise.

Tin Quota to Remain at 130 per cent.

The results of the meeting of the International Tin Committee on March 20th were announced too late for comment in last week's issue of *The Economist*. First,

the Committee decided—presumably in the knowledge that America will continue the accumulation of special emergency stocks after the end of June—to maintain the quota at 130 per cent of the basic tonnages for the third and fourth quarters of the current year. Secondly, it recommended to the Governments concerned that the control scheme should be renewed for a further period of five years from the beginning of 1942. At the same time, it suggested a revision of the basic tonnages on the basis of one year's output at the present quota in order to bring them more into line with the actual capacity of the various countries. This would involve a reduction in Bolivia's basic annual tonnage from 46,000 to 40,000 tons and an increase in those of Malaya and the Dutch East Indies from 77,000 to 88,000 tons and from 39,000 to 50,000 tons respectively. Since these decisions were not unexpected, they had little effect on prices.

Improvements in Oil Technology

A further notable advance in the petroleum refiner's art is revealed in the recent announcement of an improved process for the manufacture of petrol from heavy oils. Petrol is produced from crude petroleum jointly with a number of other products, but the quantity which can be obtained by straight distillation of the raw material falls far short of present-day needs. Had it been impossible to solve this problem, petrol would have been far more expensive than it is in fact the case; for there would have been large quantities of by-products for which no market could be found. A solution was found by the invention of the cracking process, the commercial importance of which dates from the early 'twenties. Cracking—the disintegration of the heavier and less valuable products, gas and fuel oil, into much-needed petrol—was originally accomplished by the application of great heat and high pressure. A more recent advance was the invention of catalytic cracking, i.e., cracking in the presence of an agent which, while itself undergoing no chemical change, facilitated and accelerated the process of disintegration. Besides enabling much lower temperatures and pressures to be used (thus considerably reducing costs) the catalytic agent speeded up the process and enabled a greater output of better quality petrol to be obtained. Unfortunately, however, operations had still to be interrupted every half-hour or so for the regeneration of the catalyst, which soon becomes coated with a carbon deposit. The regeneration requires fairly expensive equipment and entails a considerable loss of time. The method just invented employs what is described as a revolutionary technique in which the catalyst, instead of being in solid lumps in the still, flows like a liquid and is continuously regenerated. The result is a considerable reduction in capital cost and in operating expenses, a saving of time and the production of petrol of a more uniform quality. Construction of three plants using this fluid catalytic process, each with a capacity of 300,000 tons a year, has been commenced in the United States by the Standard group, owners of the process. Patent rights are being made available to the whole oil industry under a licensing system and there seems little doubt that before long this method of cracking will supersede all others. Even higher qualities of petrol will then be available with no increase in price.

COMMODITY AND INDUSTRY NEWS

The tin quota is to remain unchanged at 130 per cent. of standard tonnages for the third and fourth quarters of this year. In a Note on this page we discuss the International Tin Committee's recommendation that the scheme should be continued for a further period after January 1st, 1942. The London Rubber Trade Association has appointed a special sub-committee to undertake a thorough survey of all the factors in the present situation with reference to the rubber market. Rubber prices are very firm, closing on Wednesday at 14½d. per lb. smoked sheet. Cotton has not exceeded its record price of last week, but was maintained at a higher level than of late; Wednesday's closing price was 8.92 per lb. for American middlings. Moody's index of American commodity prices (December 31st, 1931=100) has risen steadily

during the week and on Wednesday was 183.7. Sir Cecil Weir, speaking at Leicester to hosiery manufacturers from all parts of the country, suggested that brand names should be suspended for the duration of the concentration of the industry, and that they should be replaced by standard or war brands.

The Cotton Purchasing Agents.—It is announced that the company which is to buy, classify and distribute raw cotton as agents for the Government is to have eight directors, of whom five will be members of the Liverpool Cotton Association and three of the Manchester Cotton Association. Some dissatisfaction has been expressed with the number, which is thought to be too small, and representations are likely to be made on this subject. The company is to be paid

£500,000 a year for its services. None of this money is to be used to compensate firms which will have to close down.

Home-grown Flax.—To compensate for the loss of overseas sources of flax the Ministry of Supply prepared a programme for a large increase in flax acreage in Great Britain and Northern Ireland. It is intended to set up two new flax processing units in Scotland, each of which will be able to deal with the crop from 2,000 acres. In Central Scotland good crops were grown last year, the yield averaging 2½ tons per acre, while a few crops yielded over 4 tons per acre. The crop is very suitable for new, ploughed grassland and is an approved crop under the £2 per acre grassland subsidy scheme. Flax-pulling machine

(continued on page 428)

COMPANY MEETINGS

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.)

ECONOMIC SITUATION IN THE FAR EAST

NATIONAL GOVERNMENT'S IMPORTANT PROBLEMS

THE HON. J. J. PATERSON'S ADDRESS

The ordinary yearly general meeting of the shareholders of The Hongkong and Shanghai Banking Corporation was held in Hongkong on the 26th ultimo.

The Hon. Mr J. J. Paterson presided.

The chief manager read the notice convening the meeting.

The chairman, in the course of his speech, said:—The net profits for the year amount to \$13,999,869.99, an increase of about \$7 lacs compared with the previous year.

After deducting the interim dividend paid at 1s. 2½d. and directors' remuneration, and including \$3,411,329.55 brought forward from last year, there remains for distribution \$10,576,745.77, which it is proposed to deal with as follows:—

To pay a final dividend of £2 10s. per share,	
subject to deduction of income-tax ...	\$6,453,781.51
Transfer to bank premises account ...	\$1,000,000.00
Carry forward to new account ...	\$3,422,964.26
	\$10,576,745.77

Our London office is carrying on unscathed in the direct line of the war, and the fall of France, of course, meant the withdrawal of the British members of our staff at Lyons; otherwise our branch offices have not been affected. Here in Hongkong, in Shanghai, and in Singapore, where our three main offices are situated, results have been satisfactory in spite of abnormal conditions.

VALUE OF CHINA'S TRADE

The foreign trade figures for China in 1940 are at first sight amazing, even allowing for inflated war-time prices of goods and for exchange depreciation. But for many reasons, some of which were mentioned here last year, it is almost impossible to make a reliable estimate of the real value of China's trade in terms of gold or sterling currencies. Smuggling, exchange and trade controls, unrecorded imports and exports (which must have reached big proportions), variations in the methods of valuing goods, the employment of special exchange rates linking imports to exports and so on all affect the issue. One even finds considerable difficulty in dealing with a single port like Shanghai; some of the anomalies disappear, but other complications arise.

One unhealthy feature stands out clearly. Shanghai last year imported from abroad large quantities of native products which the hinterland can normally provide. For example, not only in value but also in quantities, the imports to that port of rice, cotton, coal, tobacco, sugar, flour and artificial silk in 1940 were all higher than in 1936, the last normal year. In that year cotton, cereals, tobacco, and coal accounted for only 13 per cent. of import values. In 1940 they accounted for over 51 per cent. Meanwhile the export position is clouded over by monopolies, controls, and extraneous influences which naturally have a serious effect on the balance of trade and on currency exchange.

FOREIGN CREDITS AND LOANS

In view of their bearing on exchange and trade balances, I should here mention the various credits and loans which China has received during the year from foreign sources. Detailed particulars have not been made public, but you must be aware that such loans were made chiefly for political reasons. The published announcement dealing with the most recent of the United States loans showed that the donors were desirous that "arrangements for purposes of monetary protection and management" (the words actually used) should be completed. That is satisfactory so far as it goes, but that is all the information which is at present available.

The Shanghai foreign exchange market in 1940 fluctuated between a high mark of 4½d. and 8½ U.S. cents, which points were touched in January, and a low mark of 3d. and 4½d. U.S. cents in May. The year ended with rates about 3½d. and 5½d. U.S. cents. The stabilisation fund continued to carry out its stabilising operations as necessary and, considering that the proceeds of exports are being largely monopolised both by the authorities in the occupied and unoccupied parts of China, it is remarkable that the value of the Chinese currency has been maintained with so little difficulty.

The establishment of the new Central Reserve Bank in Nanking on January 6, 1941, and in Shanghai on January 20th had little serious effect on the Shanghai exchange market, but it cannot be gainsaid that the establishment of this bank, coupled with the existing currency situation in North China, has made for uneasiness, since it is feared that further measures may follow. All the leading banking interests in the Far East lay stress on the importance of the continuation of the existing free market at Shanghai. Any rash action, precipitating its closure or tending to its restriction, whether from Chungking or Nanking, might result in unfortunate reactions not only in Shanghai itself but also in China generally.

CHINESE MARITIME CUSTOMS REVENUE

The record revenue collection of the Chinese Maritime Customs has been welcomed perhaps too effusively by those who have not studied the situation sufficiently carefully. Although a record in terms of Chinese dollars, the figure of 475 millions represents only about £7½ millions at the average rate of the year, whereas the previous year's collection of 381 millions was equivalent to about £8½ millions, and the average value in sterling over the 10 years prior to the Sino-Japanese conflict was no less than £19 millions.

Moreover, owing to the continuance of the Sino-Japanese conflict, the position of the foreign loans has in no way improved in the past year. Quotas in Chinese dollars are still set aside by the National Government in the Central Bank of China to cover their estimated shares of both the Customs and Salt Loans. These quotas are based on the proportion for which unoccupied China might be regarded as liable if quotas were also provided by the occupied parts of China. It must be remembered that such sums are estimated by working out the amount of Chinese dollars due, at the former official sterling rate of 1s. 2½d., to meet scheduled loan payments. Actually the sums deposited in the Central Bank of China last year averaged only about 11 per cent. of the sums so due.

CUSTOMS FUNDS DEPOSITED IN THE YOKOHAMA SPECIE BANK

Various unofficial statements have been made by members of the Nanking régime to the effect that a portion of the Customs funds deposited in the Yokohama Specie Bank in occupied ports has similarly been earmarked for foreign loan payments, but so far as we are aware such statements have never been confirmed. Last year your chairman estimated that \$380 million lay in the Yokohama Specie Bank on Customs account. By now that figure must have been doubled, but if and when the dollar quotas are released to the Chinese Government by the Yokohama Specie Bank there will still remain the exchange problem—that is to say, the problem of how to obtain the requisite amount of foreign currencies. There has, however, been no repudiation of the pre-conflict foreign issues, neither by the Chinese Government nor by the authorities controlling the Customs funds in the occupied areas, and the problem of exchange may not be so difficult for China as for other countries when the world gets back to normal.

One beacon of hope to bondholders is the continuance of the Customs Administration in the form in which it has existed for so many years, under the able guidance of Sir Frederick Maze, the Inspector-General. Fortunately it seems to have been generally realised that undue interference with the established principles of the Customs Administration would result in unfavourable repercussions which would outweigh possible advantages. There is to my mind little doubt that Sir Frederick Maze himself is largely responsible for this satisfactory state of affairs, and his eminent services will no doubt be more clearly recognised when the smoke of conflict clears away.

THE SALT ADMINISTRATION

The Salt Administration is, unfortunately, by no means so well placed as the Customs Administration. In the areas it controls it has had its task cut out to ensure that adequate supplies of salt are distributed to the unoccupied areas of China. Meanwhile in occupied China little information has been made public as to how salt revenues are collected and employed. It appears, however, that Japanese-controlled salt companies have monopolies in the production and distribution of salt, and that Japan is now taking large quantities of salt from North China to replace supplies from elsewhere which have been cut off as a result of the war.

THE PEKING-MUKDEN RAILWAY LOAN

Alone of all the Chinese railway loans the Peking-Mukden Railway Loan (known as the Chinese Imperial Railway Five per Cent. Gold Loan of 1899) is still up to date with coupon and amortisation payments, and its earnings remain excellent. The Manchurian authorities have, however, found difficulty in obtaining sterling exchange. Some of the British railway staff have been paid off, but their treatment was decidedly niggardly and caused a good deal of dissatisfaction.

In West China progress has been made on the early stages of the railways running north and west of Kunming, but the severance of communications with Indo-China naturally cut off the only feasible route for the supply of heavy materials. Some work has been done on the Hengyang-Kweilin Railway and also on the western end of the Lunghai line. The railways under the control of Japanese companies—namely, the Central China Railway Company, south of the Yangtze (but excluding the railways centred on Hankow) and the North China Railway Company, north of the Yellow River—are apparently operating with a fair amount of regularity. However, the railway bondholders are also unlikely to receive consideration until political conditions become normal.

THE NORTH CHINA DEVELOPMENT COMPANY

In addition to the Japanese-controlled railway companies in East and North China, you are, of course, aware that a whole network of Japanese-operated companies are active in those areas. The North China Development Company is a large controlling concern operating 18 subsidiary companies (there may be more by now). These control transportation, wharves, cotton growing, mining, salt production, telegraphs, telephones, power stations, and so on. The Central China Development Company concerns itself with similar operations in the Yangtze Valley, and in addition with silk production and filatures, river and coastal steamships, fish marketing, and real estate. Many, if not most, of these companies have monopoly trading rights; some of them make profits but others are handicapped by shortage of equipment and local difficulties.

I will not elaborate the obvious effect of these developments on foreign firms. You may have read an illuminating statement published a little time ago by the Tientsin American Chamber of Commerce commenting on the much quoted phrase of Mr Matsuoka, "We shut the open door nowhere to none." Other organisations, both British and American, have been equally frank, and I need do no more than refer you to the last annual report of the China Association, and to the speech of the chairman at the last annual meeting of the Shanghai British Chamber of Commerce.

RIISING COST OF LIVING IN SHANGHAI

This is not the occasion to refer in detail to Shanghai's municipal and other problems, but I feel that you wish me to say how much we sympathise with that great city in its embarrass-

ments and with the chairman and secretary-general of the Shanghai Municipal Council, who have both narrowly escaped the hands of assassins during the past year. Restrictions on the movement from the interior of rice, that very important item in the Chinese diet, and of other native produce, which were potent factors in causing exchange to fall, have driven up the cost of living over 250 points since January, 1940; the price of rice increased 120 per cent. in the year and over 600 per cent. since the Sino-Japanese conflict commenced in 1937. This has naturally led to higher costs all round and particularly to demands for increases of pay and so brought financial embarrassment to the Municipal Council.

The latter's powers of taxation being restricted by the Shanghai Land Regulations, they have been forced to ask authority from ratepayers for a considerable increase in rates rather than to adopt other forms of taxation or subsidies. I am afraid that a proper solution of the Shanghai problem in all its aspects can only come when the political problems of the Far East are solved. In the meantime let us hope that there will be a realisation of the vital importance on humanitarian and common-sense grounds of reasonable compromise for the maintenance of peace, order, and the livelihood of the large population of that cosmopolitan city.

HONGKONG—ECONOMY THE WATCHWORD

Last year your chairman expressed uneasiness at certain aspects of the financial situation of this Colony, and urged the employment of economy. I am satisfied that the new budget has been kept down to reasonable proportions, considering the onerous but necessary expenditure on defence measures and the services unavoidably incurred through the influx of Chinese. But we must continually remember that Hongkong is very susceptible to outside influences, such as the situation *vis-à-vis* China, Japan, Indo-China, the shortage of tonnage, movements of population, and so on. It is therefore of importance that fresh commitments should be scrutinized with great care, and that economy should be the watchword on all sides.

It is, however, only right that Hongkong should remit to the Home Government whatever contribution to the war effort it can spare, and last year it played its proper part in remitting £200,000 out of revenue, and a further £200,000 from the profits of the exchange fund. In addition, there is of course the bomber fund, now totalling about £100,000, which has been raised by voluntary subscription through the *South China Morning Post* and *Hongkong Telegraph*. This is apart from the considerable expenditure borne by the Colony for local defences. It amounts to a contribution we can be proud of, but which should be continued on the same scale.

As regards other countries, Malaya gives the brightest picture. Tin and rubber exporters have had a very good year, and this has, of course, brought prosperity to the many concerns (including banks) which are directly or indirectly concerned with these two important products. It must not, however, be forgotten that the present prosperity of producers is due largely to the purchases made by the United States Government for their war reserve stocks, and these purchases will not go on for ever.

The report and accounts were unanimously adopted.

FOREIGN EXCHANGE CONTROL IN PRACTICE

The series of special articles explaining the detailed processes involved in putting the Exchange Regulations into practice, now in course of publication in *The Financial News*, will shortly be republished in pamphlet form (price 6d.) in response to many requests.

The review covers the whole field of practical Foreign Exchange control, and will be of invaluable assistance to branch bank officials.

Orders should be addressed to The Publisher, *The Financial News*, 20 Bishopsgate, E.C.2.

BRITANNIC ASSURANCE COMPANY, LIMITED

STRENGTHENED VALUATION BASES

£363,000 ALLOCATED TO POLICYHOLDERS

MR J. A. JEFFERSON'S STATEMENT

The seventy-fifth annual general meeting of the Britannic Assurance Company, Limited, was held, on the 21st instant, in Birmingham, Mr J. A. Jefferson, F.I.A., chairman and general manager, presiding. His statement, which had previously been circulated to the shareholders, was as follows:—

Last year I pointed out to you that the effects of war are adverse to life assurance institutions, which are bound to experience heavier claims, bear heavier expenses, and suffer heavier taxation. You will not be surprised, therefore, to learn that in valuing our liabilities in both branches this year we have taken a cautious view of the future by strengthening the valuation bases.

While we have strongly supported the Government in its War Savings Movement, and are still continuing actively to do so, I want you to realise the difficult position of a progressive life office, with rapidly accumulating funds. These funds are derived mainly from the premiums on long-term contracts based on the earning of a rate of interest of 3½ per cent. *net*; one does not need to possess the mind of a professor of economics to see that there must be a limit to the proportion of its funds which an assurance company can afford to have invested at 2½ per cent. *gross*. To bring the matter home to you more forcibly I would point out that whilst our funds have doubled since 1928 our net interest income has increased by only one-half.

THE REVENUE ACCOUNTS

The total income was £7,086,000. The premium income amounted to £5,537,000. Gross interest was £1,537,000 and net interest was £1,179,000. Total death claims at £1,679,000 showed an advance of £172,000, while maturities at £1,542,000 increased by £410,000. Since the inception of the company it has paid over £55,000,000 in claims, and it is interesting to mention that during 1940 the total sums assured in force passed the £100,000,000 mark.

The net result of the year's working was an addition to the funds of £1,547,000, bringing them up to £35,240,000.

ORDINARY BRANCH

During 1940 the funds increased by £318,000 to £12,692,000. The premium income was £1,422,000. The death claims at £267,000 included claims arising directly from the war amounting to £32,000. Claims under maturing policies advanced by the large sum of £247,000 to £925,000. The net new sums assured totalled £2,099,000, and were 82 per cent of the previous year's total, a percentage which was well above the average of all offices.

Despite an increase of nearly £11,000 in the gross interest, there was a drop of over £11,000 in the net interest, the net rate of interest being 3½ ls. 8d. per cent. In this branch alone the liability for income tax has more than doubled in the last five years, the extra liability being the equivalent of the cost of a reversionary bonus on with-profit policies of 10s. per cent.

INDUSTRIAL BRANCH

The total funds stand at £18,604,000. The premium income amounted to £4,105,000. The premiums collected during the year represented 19s. 10d. in the £ of those falling due, the highest rate we have ever attained. The lapsing has been at a rate well below normal.

The gross rate of interest earned on the funds was £4 19s. 8d. per cent. The net rate earned was £3 19s. 8d. per cent.

Death claims amounted to £1,411,000. War claims have been increasing and during 1940 amounted to £38,000. During the year we paid £617,000 in respect of maturing endowment policies. Surrenders paid totalled £75,000, a decrease of £32,000, which followed a reduction of £22,000 during 1939.

The expense rate for the year was 29.76 per cent, which was

0.30 per cent only in excess of the figure for 1939. I am sure you will agree that, having regard to the allowances we are paying to members of our staff serving with His Majesty's Forces, and to increased costs generally, the increase is a modest one.

During the year many more of our agents joined the Forces and we appointed a large number of women to take their places. We now have about one thousand women agents in our service. We have been able to continue our policy of increasing the debits of our agents, thereby increasing their earnings.

VALUATION OF ASSETS

Again I am proud to be able to report that our investment reserve funds, now amounting to £2,250,000, are still intact. Our Stock Exchange securities valued at middle market prices on December 31st last still disclosed in the aggregate an appreciation on their book values.

Turning now to the balance sheet, I wish you to note the increase of £1,860,000 in British Government securities. You will observe that this increase is larger than our total increase in funds during the year, and as the amount has all been invested in the Government's new war issues we can say that the Britannic is making its full contribution to the War Savings Movement.

VALUATION OF LIABILITIES

In the Britannic ordinary branch the with-profit business formerly valued at 2½ per cent. was valued at 2½ per cent. The surplus disclosed after this strengthening of the bases was £408,431, inclusive of £196,345 brought forward from 1939. The directors have transferred £50,000 to the ordinary branch investment reserve fund, bringing it up to £750,000, and have allocated £162,908 to policyholders to provide a reversionary bonus of £1 per cent on the sum assured to with-profit policies and have carried forward a substantial balance of £172,428.

In the Britannic industrial branch, not only has the rate of interest assumed in the valuation been reduced to 2½ per cent, but a more recent mortality table, the English Life No. 10 (Males), has been substituted for the English Life No. 8 (Males) Table. The surplus disclosed was £710,167, inclusive of £181,110 brought forward from 1939. The directors have made allocations of £180,000 each to policyholders and to profit and loss account, and have transferred £90,000 to the staff pension fund. £100,000 has also been added to the industrial branch investment reserve fund, bringing it up to £1,500,000. Finally, £160,167 has been carried forward undivided to 1941. The directors are gratified that notwithstanding war conditions it has not been found necessary to withdraw or even modify the bonus scheme.

Taken as a whole the valuation results show that the company is in a very strong financial position, and that every possible precaution has been taken by the directors to enable the company to face all eventualities.

The directors again express their thanks to all members of the indoor and outdoor staffs for their efficient services and helpful co-operation during 1940, and especially in dealing with the many difficulties arising from the war. That these were successfully overcome the accounts show clearly, and I am pleased to say that the feelings of goodwill existing between the directors and all sections of the staff have continued.

The report was unanimously adopted.

Every year many hundreds of Companies publish Reports of their Annual General Meetings in *The Economist*, thereby reaching thousands of investors in the quiet of their own homes.

In time of war the value of this practice is greatly enhanced because *The Economist* provides valuable information which is not otherwise available to investors, who therefore read it more carefully than ever.

Full particulars of the charges for inserting these reports may be obtained on application to The Reporting Manager, *The Economist*, 8, Boulevard Street, E.C.4.



PEARL ASSURANCE

COMPANY LIMITED

FACTS AND FIGURES

from the Statement by

SIR GEORGE TILLEY, F.C.I.I.

President and Chairman of the Company
on the Annual Report and Balance Sheet
for the year ending 31st December, 1940.

FUNDS £112,389,143
INCOME £19,931,244

INVESTMENTS

The funds show an increase of £3,970,368. The market value of the investments exceeded the price at which they stand in the balance sheet.

LIFE BRANCHES

In the Ordinary Branch sums assured under new policies issued during the year amounted to over £5,700,000. Premium income in the Industrial Branch exceeded £9,520,000, an increase of £177,000.

FIRE AND GENERAL

In these Branches the premium income exceeded £1,652,000.

BONUSES

In the Ordinary Branch a bonus of £1 per £100 assured was declared on policies entitled to participate in full profits that become claims by death or maturity during 1941. In the Industrial Branch a bonus has been declared on policies, with certain exceptions, effected before 1st January 1934 that become claims by death or maturity during 1941. Up to date a total sum of over £6,800,000 has been allocated for bonuses to policyholders in this Branch.

**TOTAL CLAIMS PAID
EXCEED £146,000,000**

Chief Offices: High Holborn, London, W.C.1

NATIONAL PROVIDENT INSTITUTION

STRONG FINANCIAL POSITION

The annual meeting of the National Provident Institution was held, on the 25th instant, in London.

Mr Robert E. Dickinson (the chairman) said that during the whole of the period under review they had been at war. The institution, in common with other life assurance offices, had experienced a substantial reduction in the new business figures to which they had been accustomed, and so long as the war lasted they must look forward to a continuance of that state of affairs. One of the results of their reduced new business activities was that the premium income for the past year showed a reduction as compared with that of the previous year.

The gross yield on their life assurance and annuity fund had been substantially maintained, but that was largely due to the fact that at the end of 1939 they had set aside £200,000 as a contingency reserve, and, if the yield were measured on the total funds, including that reserve, it would show a fall, as might naturally be expected. The net yield was affected by the burden of income tax, in spite of the fact that the Government had granted them a special relief. For the past year their net rate of interest was £3 11s. 5d. per cent., a reduction of 8s. 7d. per cent.

During the year under review they had invested no less than £550,000 in new Government War Loans. The rate of interest they would earn on such investments must be low, and that in turn must affect adversely their trading profits. As regarded their Stock Exchange securities, a year ago he was able to assure members that in the aggregate those securities were fully worth the value at which they stood in the books, and it was very gratifying that, in spite of the happenings of the past year, they were still able to give that assurance.

Their financial strength was indeed great, though their current profits were necessarily on a reduced scale, and the Board had decided that the rates of interim bonus announced last year to be payable on policies becoming claims by death or by survival should be continued.

The report was unanimously adopted.

ANGLO-FRENCH EXPLORATION COMPANY, LIMITED

A SATISFACTORY RESULT

The fifty-first ordinary general meeting of this company was held, on the 26th instant, in London.

Mr F. A. Robinson (the chairman) said that their investments in other companies stood at £832,787, and it was a very satisfactory feature that approximately 97 per cent. were quoted on the Stock Exchange. The market value of the quoted securities at December 31st was £729,966, whilst the unquoted were valued by the directors at £24,988, so that there was a difference between the book cost and the valuation of £77,833, which was, of course, amply covered by the reserve. The result of the year was a profit of £47,266, which was slightly in excess of the previous year. After adding the balance brought forward, the amount available was £75,815. They were writing off £13,650 on account of depreciation of certain holdings. The dividend of 5 per cent. would absorb £39,375 and allow £22,790 to be carried forward.

The total net valuation of the company's assets amounted to £859,383, or a surplus of £109,383, and they were of the opinion that under present conditions the surplus was not unsatisfactory. The gold mining industry of the Transvaal continued to make good progress, the dividends declared for the year 1940 amounting to over £21,000,000 despite the still higher taxation which the industry had been called upon to bear. During 1940 the "special contribution" was raised to 11 per cent., and it was now to be increased to 16 per cent. In addition, dividends accruing to shareholders not resident in the Union of South Africa were to be taxed at the rate of 1s. in the £.

The Apex (Trinidad) Oilfields had increased its profits by £137,568 to £393,617 for the year ended September 30, 1940. The dividend was maintained at 30 per cent. The Anglo-Burma Tin Company had made a profit for the year ended June 30, 1940, of £23,327, which enabled it to pay dividends totalling 25 per cent. The Anglo-French Company had continued to receive satisfactory returns from their other tin holdings.

The report was unanimously adopted.

ASHANTI GOLDFIELDS CORPORATION, LIMITED

OUTPUT MAINTAINED IN SPITE OF DIFFICULTIES

The forty-fourth annual general meeting of the Ashanti Goldfields Corporation, Limited, was held in London on the 25th instant, Mr. J. H. Batty (chairman) presiding.

In his statement the chairman mentioned that there was a reserve for taxation purposes of £537,260, which included the £800,000 set aside out of profits this year. The company had spent some £33,000 on improving the power plant and on extending the power station buildings, including the new compressor station at south shaft. There had been considerable improvements in the sanitary conditions on the property, and also additional bungalows for Europeans and native hutments in the new native village. The new European club was now completed and very much appreciated by the staff. So far as labour allowed, progress was being made in the erection of the new treatment plant, but this work was dependent on the number of European fitters available. Practically all the material for this plant had been shipped.

The share investment in other companies totalled £662,660, being approximately the same as in the previous year. The cash and bullion total, together £696,000, was slightly higher than last year. He might mention that the company had assisted the Government by paying some £400,000 to the commissioner of taxes in advance. In the present accounts only £100,000 of this amount was included, the other £300,000 having been paid out at a later date. The company had paid to the Gold Coast Government £114,746 in royalty and £241,000 in export duty on gold premium. These sums were quite apart from what might be due by the corporation here for income tax and excess profits tax assessment.

WORKINGS OF EXCESS PROFITS TAX

For the latter the standard of profit allowed under the Finance Acts of 1939 and 1940 in arriving at the assessment for Excess Profits Tax, as far as could be ascertained at present, had reduced the profits available for distribution to shareholders by about 15 per cent. The standard year was based on the results obtained during the calendar years 1935-6-7. It so happened that in order to provide funds to enable an increased output to be produced the company had increased its capital from £1,000,000 to £1,250,000 in January, 1939.

Very rightly the Government had taken, and was continuing to take, steps to raise the wages of the workers to meet the increased cost of living. But he felt that the small investors who formed the bulk of the investing public were being inequitably treated. This lack of equity was even more noticeable in the case of the Bibiani Company, about which he would be speaking later in the day.

He felt, too, that this Excess Profits Tax in its present 100 per cent form would fail in its ostensible purpose, i.e., to increase revenue and check rising prices. For by removing ordinary individual incentive to industrial efficiency it would tend to encourage needless expenditure and less care in work and management.

Turning to the mining operations, the technical progress of the mines had been fully dealt with in the reports of the general manager and the London Consultant's Review, which read in conjunction with each other gave a comprehensive outline of the year's operations. On the lower levels of the mine exploration on No. 28 level had been very satisfactory. In the southern section of the mine developments had thrown more light upon the upward extension of both the Cote d'Or and Obuasi South reefs, and encouraged the belief that a considerable tonnage of good ore remained to be opened up in this area also.

Turning to the treatment side, it would be of great advantage to the company if the full output could be handled in the central treatment plant and so make it possible to close down the pilot treatment plant. This should effect economies in labour and stores.

After so many years of uninterrupted service it was a little disappointing to have to call a halt—even a temporary one—to the company's programme of expansion. The mine was, however, in very good order with an abundantly strong ore reserve, and the management felt confident of being able to maintain the present monthly throughput of 19,000 tons for an output of 22,000 ozs.

Lord Luke (deputy-chairman) seconded the resolution adopting the report and accounts, which was carried.

BIBIANI (1927) LIMITED

PENALISING EFFECTS OF EXCESS PROFITS TAX

Presiding at the fourteenth annual general meeting of Bibiani (1927), Limited, held in London on the 25th instant, Mr J. H. Batty (chairman) said that the total quantity of ore treated for the year rose by 147,648 tons to 321,550 tons, yielding 100,768 ozs., an increase of 44,529 ozs. over the previous year. In spite of the difficulties inseparable from running-in a new plant, extractions were actually a little higher than for the previous year. As had been forecast, only a limited amount of development had been attempted, and the ore reserves still stood at nearly 2½ million tons of 7.2 dwt. ore. This was a very strong position.

DEPLORABLE EFFECT OF E.P.T.

He felt compelled to make some reference to the deplorable effect on the company's fortune of the Excess Profits Tax. The company found itself especially penalised by this tax in its present form. He therefore proposed to give a short history of its operations since its inception, which would recall the resolute and persevering efforts of the board to bring the company to its present state of production and "apparent success." He said "apparent success" since it was uncomfortable and disconcerting to reflect that perseverance in effort and prudence in finance had had no other effect than to put the company in the deplorable position of having to deplete ore reserves at a faster rate without any increased return to shareholders to balance this shortening of the life of the mine.

Bibiani (1927), Limited, was registered in April, 1927, with a capital of £12,000, which, in order to provide the capital for development, had since been raised to £500,000. All of this capital except shares to the value of £6,000 was represented by cash, many of the shares having been issued at a premium which was justly warranted by the prospects of the mine as its development progressed.

PRE-WAR PROFITS RE-INVESTED IN THE MINE

Shareholders realised that the development of a big and unusual mine like Bibiani—in order to assess its true value—must be rather a long business. They were encouraged to wait and to see most of such slender profits as were being made re-invested year after year in the business, in order to maintain its financial strength, rather than prematurely inflate the capital by going to the public for all the capital required.

In 1935 it was decided that a new plant to treat 1,000 tons per day should be designed. To pay for this the capital of the company was increased to £500,000 by the creation of 300,000 additional ordinary shares of 4s. each, 250,000 of which were offered to shareholders at 20s. each in February, 1936, the remaining 250,000 shares being issued at the same price in February, 1938.

Including capital, share premium and profits re-invested in the development and equipment of the mine, the total outlay by shareholders now amounted to about £1,250,000. It was not until January, 1936, however, that after waiting for nearly nine years, shareholders received their first reward in the form of a maiden dividend of 12½ per cent. on its nominal capital.

TAX—OR CAPITAL LEVY

By the summer of 1939 the new plant was in partial operation, and shareholders were looking forward to at last receiving a just reward for their enterprise and patience—when war was declared.

The market value of the shares at this time was firm at 26s., as the published monthly returns were confirming the expectations of the new plant which he had foreshadowed in his address to the shareholders at previous annual meetings.

In fixing the years 1933, 1936 and 1937 as the basis on which the E.P.T. was to be assessed, he submitted that the shareholders of this company were unduly penalised, and that the tax operated, in the cases of Bibiani and mining companies similarly situated, like a capital levy on the ore reserves, which were being depleted at a much higher rate than in any previous years.

The report was adopted.

LANCASHIRE STEEL CORPORATION, LIMITED

DIVIDEND OF 7 PER CENT ON "A" AND "B" ORDINARY SHARES

The eleventh ordinary general meeting of shareholders of the Lancashire Steel Corporation, Limited, was held, on 24th instant, at the registered office, Bewsey Road, Warrington.

Mr John E. James (the chairman and managing director) presided.

After moving the adoption of the directors' report and accounts for the year to December 31, 1940, the chairman stated that as the accounts were, he thought, self-explanatory, he did not propose to comment on them in detail. He pointed out, however, that after meeting all charges and making any reserves the directors considered desirable, it had been possible for the corporation to pay the full dividend (less tax) on the two classes of preference shares, and to recommend to shareholders payment of a dividend of 7 per cent (less tax) for the year on the "A" and "B" ordinary shares.

He informed the meeting that since the last annual meeting of the shareholders the board had elected Mr Robert Crichton, C.B.E., who had had wide experience in the iron and steel industry, to fill the vacancy arising on the death of the late Earl of Crawford and Balcarres, K.T., and expressed his pleasure that Mr Crichton had consented to become a full-time member of the board.

In paying tribute to the work of the employees and members of the staffs of the corporation and its subsidiary companies, the chairman stated that groups under the National Savings Scheme had been in operation in the works of the various companies since the spring of 1940, and that that movement, which had been of such value to the country in the financing of the war, had been supported by both works and staff employees.

The accounts and report were unanimously adopted.

AUTOMATIC TELEPHONE AND ELECTRIC COMPANY, LIMITED

REVIEW OF ACTIVITIES

The following is a summary of the statement by Mr T. A. Eades, vice-chairman and managing director of the Automatic Telephone and Electric Company, Limited, circulated with the directors' report and accounts for 1940.

The chairman of the board, Sir Alexander Roger, had been appointed to lead a British Government Mission to Delhi to investigate war-time production facilities in India, and they regretted his absence (the first in twenty-one years) from the coming-of-age general meeting of the company to be held on April 1, 1941.

Many new problems had been encountered during the year, but the factory output had been maintained and orders had reached a high level. Work in progress had increased and stocks generally were higher. Recurring increases in production costs had caused a reduction in both trading and net profits. The profit on trading, dividends on investments, etc., was £238,056, compared with £276,249 in 1939. With the balance brought forward of £167,802, there was available £405,854. Of that £50,388 was applied to depreciation of fixed assets, and after providing for directors' fees and for dividends already paid during 1940 on preference and ordinary capital, there was left £317,466, compared with £327,818 in 1939. They proposed to transfer £40,000 to "War Contingencies and Taxation Reserve," and recommended a further dividend of 7 per cent. on the ordinary stock, making 10 per cent. for the year, and also a cash bonus of 2½ per cent; and a dividend of 10 per cent with a cash bonus of 2½ per cent on the deferred stock and shares. There would then remain to be carried forward £167,422.

Much had been said and written regarding E.P.T., and it was hoped that the Chancellor of the Exchequer would find it possible to announce some welcome amendments. The wide spread feeling which the Press of recent date had exhibited against a 100 per cent tax revealed many thoughtful suggestions, all calculated to assist the Chancellor, both now and in the future, when industry must be strong enough to shoulder continued heavy burdens.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended March 22nd, 1941, total ordinary revenue was £39,447,000, against ordinary expenditure of £102,646,000 and issues to sinking funds of £145,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £2,382,401,000 against £718,498,000 (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 Mar. 23, 1940	Apr. 1, 1940, to Mar. 22, 1941	Week ended Mar. 23, 1940	Week ended Mar. 22, 1941
ORDINARY REVENUE	510,500	383,699	508,205	9,899	16,574
Income Tax	83,000	66,350	73,047	2,510	1,070
Sur-tax	19,000	16,820	12,768	890	450
Estate, etc.	86,100	74,070	78,782	1,350	1,490
Duties	10,000	10,000	10,000	1,000	1,000
Stamps	70,000	26,400	23,445	1,130	1,190
N.D.C.	1,000	1,000	1,000	1,000	1,000
E.P.T.	1,000	1,000	1,000	1,000	1,000
Other Inland Revenue	1,000	1,280	951	30	50
Total In. Rev.	769,600	568,629	765,191	15,829	23,654
Customs	309,350	258,931	301,358	7,461	7,352
Excise	213,550	137,130	208,800	4,729	5,005
Total Customs and Excise	522,900	396,061	510,158	12,190	12,357
Motor Duties P.O. (Net Receipts)	35,000	33,748	37,835	...	...
Crown Lands	13,291	3,434	11,583	3,518	305
Receipts from Sundry Loans	1,150	1,210	1,050	...	...
Misc. Receipts	5,000	4,916	2,553	...	582
Total Ordinary Revenue	13,250	17,429	28,135	51	2,549
SELF-BAL. Post Office & Broadcasting	86,422	81,316	86,417	4,568	1,445
Total	144,661	110,673	144,292	29,120	40,892

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1940-41	Apr. 1, 1939, to Mar. 23, 1940	Apr. 1, 1940, to Mar. 22, 1941	Week ended Mar. 23, 1940	Week ended Mar. 22, 1941
ORDINARY EXPENDITURE	230,000	220,698	219,649	493	...
Int. and Man. of Nat. Debt	9,400	8,775	8,455	493	...
Payments to N. Ireland	7,600	7,106	7,180	361	54
Other Cons. Fund Serv.	247,000	236,577	235,284	1,347	54
Supply Serv.	373,615	149,631	342,154	47,753	102,646
Total Ord. Expenditure	398,315	173,284	372,738	49,100	102,700
SELF-BAL. Post Office & Broadcasting	86,422	81,316	86,417	4,568	1,445
Total	484,737	154,600	459,155	53,668	104,145

On March 21st applications at £90 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 17 per cent. of the amount applied for, and applications at higher prices in full. Applications at £90 14s. 11d. for bills to be paid for on Saturday were accepted in full. £25-0 millions of Treasury bills are being offered on March 28th. For the week ending March 29th the banks will be asked for Treasury deposits to the maximum amount of £30 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

Week ended	N.S.C.	3% Def. Bonds	2½% Bonds	New 2½% Bonds	3% Sav. Bonds
Feb. 18	4,273	3,870	25	19,766	6,545
Mar. 4	4,602	4,061	47	8,927	4,920
Mar. 11	4,475	3,615	8	8,952	6,314
Mar. 18	4,518	4,627	1	9,472	6,490
Mar. 25	4,180	4,428	Nil	9,217	4,969
Totals to date	246,543*	243,300*	444,432*	139,139*	80,182*
* 69 weeks. † 40 weeks. ‡ 12 weeks.					

After increasing Exchequer balances by £483,306 to £3,116,927, the other operations for the week (no longer shown separately) raised the gross National Debt by £64,436,452 to about £11,325 millions.

OTHER ISSUES (NET)

(£ thousands)	
Interest (Defence Loans)	537
Overseas Trade Guarantees	49
Total	586

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1940, to March 22nd, 1941, are:—	
(£ thousands)	
Ordinary Exp.	3,727,438
Inc. in balances	722
Ord. Revenue	1,356,504
Gross. bor.	2,382,636
Less—	
Sinking fda.	11,528
Net borrowing	2,371,108
Misc. receipts (net)	548
Total	3,728,160

FLOATING DEBT

(£ millions)						
Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1940						
Mar. 23	746-0	682-8	55-0	...	...	1483-8
Dec. 14	845-0		Not available			
" 21	845-0					
" 31		2151-8	86-0	" 50-5	" 338-0	2628-8
1941						
Jan. 11	845-0		Not available			
" 18	845-0					
" 25	845-0					
Feb. 1	845-0	1340-7	96-1	" ...	" 366-0	2647-8
" 8	845-0		Not available			
" 15	845-0		"	"	"	
" 22	845-0		"	"	"	
Mar. 1	845-0	1369-4	165-5	" ...	" 355-0	2734-8
" 8	845-0		Not available			
" 15	845-0		"	"	"	
" 22	845-0		"	"	"	
" 28	845-0		"	"	"	

TREASURY BILLS

£ (millions)						
Date of Tender	Amount			Average Rate Allotted	Per Cent. Allotted at Min. Rate	
	Offered for	Applied	Allotted			
1940				a.	d.	
Mar. 21	50-0	100-0	50-0	20	4	38
Dec. 13	65-0	144-0	65-0	20	1	33
" 20	65-0	130-8	65-0	20	2	35
" 27	65-0	143-8	65-0	20	1	31
1941						
Jan. 3	65-0	133-3	65-0	20	2	38
" 10	65-0	134-7	65-0	20	2	36
" 17	65-0	146-0	65-0	20	1	28
" 24	65-0	139-1	65-0	20	4	34
" 31	65-0	150-7	65-0	20	2	34
Feb. 7	65-0	149-4	65-0	20	8	39
" 14	65-0	142-5	65-0	20	4	23
" 21	65-0	139-1	65-0	20	4	43
" 28	65-0	136-5	65-0	20	4	28
Mar. 7	65-0	131-2	65-0	20	0	17
" 14	65-0	163-8	65-0	19	11	70
" 21	65-0	131-6	65-0	20	2	95

BANK OF ENGLAND RETURNS

MARCH 26, 1941

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt	11,015,100
In Circul.	611,484,027	Other Govt. Securities	615,959,707
In Bnkg. Department	18,757,548	Other Secs.	3,018,272
		Silver Coin	8,921
		Amt. of Fid. Issue	630,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,576
		Total	630,241,576

BANKING DEPARTMENT

£		£	
Props. Capital	14,553,000	Govt. Secs.	126,507,838
Other Secs.	3,563,462	Other Secs.	45,275,109
Public Deps.	21,976,134	Securities	19,335,132
Other Deps.	118,596,973	Notes	64,610,241
Bankers	52,288,055	Gold & Silver Coin	1,101,997
Other Accts.	170,885,028	Total	210,977,624

* Including Exchequer, Savings Banks, Commis-sioners of National Debt, and Dividend Accounts.

THE WEEK'S CHANGES

(£ thousands)		Compared with	
Both Departments	Amt. Mar. 26, 1941	Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	611,484	+ 3,064	+ 68,378
Deposits: Public	21,976	+ 7,234	+ 21,187
Bankers	118,597	+ 23,410	+ 20,680
Others	52,288	+ 235	+ 10,101
Total outside liabilities	804,345	+ 33,943	+ 77,942
Capital and rest	18,116	+ 20	+ 88
Govt. debt & securities	753,483	+ 3,283	+ 43,044
Discounts and advances	45,275	+ 39,130	+ 39,181
Other securities	22,353	+ 1,750	+ 3,912
Silver coin in issue dept.	7	+ 2	+ 504
Coin and gold bullion	1,344	+ 132	+ 46
Reserves			
Res. of notes and coin in banking department	19,860	+ 3,196	+ 18,332
"Proportion" (reserve to outside liabilities in bankg. dept.)	10-2%	+ 8-6%	+ 10-6%

COMPARATIVE ANALYSIS

(£ millions)		1940		1941	
		Mar. 27	Mar. 12	Mar. 19	Mar. 26
Issue Dept.:					
Notes in circulation	643-1	608-4	608-4	611-5	
Notes in banking department	37-1	21-8	21-8	18-8	
Government debt and securities	636-2	627-0	626-9	627-0	
Other securities	3-2	3-0	3-1	3-0	
Silver coin	0-5	0-0	0-0	0-0	
Gold, valued at s. per fine oz.	168-00	168-00	168-00	168-00	
Deposits:					
Public	43-1	13-4	14-7	22-0	
Bankers	98-0	110-1	95-2	118-6	
Others	42-2	54-0	52-1	52-3	
Total	183-3	177-5	162-0	192-9	
Banking Depart. Secs.:					
Government	134-2	146-3	129-8	128-5	
Discounts, etc.	6-1	8-0	6-1	45-3	
Other	23-0	20-8	21-0	19-3	
Total	163-3	175-0	156-9	191-1	
Banking depart. res.	38-2	23-1	23-1	19-9	
"Proportion"	20-8%	13-0%	14-2%	10-2%	

* Government debt is £11,015,100; capital, £14,553,000. † Fiduciary issue raised from £380 millions to £630 million on June 11, 1940.

(Continued from page 422)

will be hired out by the Ministry of Supply on a variety of terms. Prices to the grower per ton will vary according to grade from £6 to £11 and the Ministry of Supply will be the purchaser.

Vegetable Oils and Oilseeds.—Imports of oilseeds are adequate to enable mills to continue the production of oils and cake. The Control has taken moderate quantities of Bombay linseed and substantial quantities of Indian ground nuts, and is inviting offers of more of the latter. Shipment of old crop Argentine linseed continues to be slow, but operations for sowing the new crop are proceeding under favourable weather and soil conditions. United States farmers have reported their intention to put under linseed 3,341,000 acres, an increase of 17 per cent compared with that proposed last spring. Some 3,228,000 acres were actually harvested last season, yielding 778,000 tons. The second estimate of the linseed crop in India is 2,907,000 acres compared with the final estimate of 3,083,000 acres for last season. The coupon rationing scheme of oilcakes and meals for cattle is in operation, but the stupendous task of assessment and distribution of coupons has proved adverse to smooth working and delays are frequent.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Mar. 8, 1941	Mar. 15, 1941	Mar. 16, 1940	Mar. 15, 1941
N. America	599	712	16,316	13,105
Argentina, Uruguay	237	258	13,374	5,972
Australia	...	...	6124	...
Russia	...	...	114	229
Danube and district	...	...	4,795	182
Other Countries	...	...	345	...

* Unobtainable. † Incomplete. Source: The Corn Trade News.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	Mar. 8, 1941	Mar. 15, 1941	Mar. 16, 1940	Mar. 15, 1941
Argentina	78	23	15,019	7,338
Atlantic America	...	...	3,261	2,932
Danube Region	...	...	1,487	878
S. & E. Africa	...	...	3,567	1,384
Indo-China, etc.	...	...	1,638	91

* Not received. † Incomplete since January 18th. Source: The Corn Trade News.

RAW COTTON delivered to Spinnars

Variety (‘000 bales)	Week ended		From Aug. 1 to	
	Mar. 14, 1941	Mar. 21, 1941	Mar. 22, 1940	Mar. 21, 1941
American	3-9	7-0	927	571
Brazilian	2-3	3-2	188	234
Peruvian, etc.	1-0	1-4	146	68
Egyptian	0-5	0-7	247	195
Sudan Sakel	0-3	—	107	23
East Indian	2-6	8-0	238	283
Other Countries.....	1-8	6-6	98	24
Total	12-4	26-9	1 049	1,511

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Finland appeared in "The Economist" of Dec. 9th, 1939; Norway, of Apr. 13th, 1940; Denmark, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Switzerland, of June 15th; Java, of Oct. 22nd; Latvia, of Oct. 5th; Estonia, of Nov. 30th; Roumania, of Feb. 8th; Egypt, Reichsbank, International Settlements, of Feb. 15th; Roumania and South Africa, of Feb. 22; Hungary, Portugal, and Turkey, of Mar. 8th; Bulgaria, Japan, and Prague, of Mar. 15th. U.S. Reporting Member Banks Argentina, Greece, and Sweden, of Mar. 22nd.

U.S. FEDERAL RESERVE BANKS

Million \$'s	Mar. 20, 1940	Mar. 6, 1941	Mar. 13, 1941	Mar. 20, 1941
12 U.S.F.R. BANKS				
RESOURCES				
Gold Certifs. on hand and due from Treas.	15,998	20,030	20,103	20,103
Total reserves	16,368	20,360	20,442	20,446
Total cash reserves	362	318	328	332
Total U.S. Govt. secs.	2,475	2,184	2,184	2,184
Total bills and secs.	2,488	2,194	2,193	2,193
Total resources	19,693	23,559	23,612	23,731
LIABILITIES				
F.R. notes in circ.	4,895	6,040	6,047	6,036
Excess m. bank res.	5,590	5,440	6,480	6,110
Mr. banks res. dep.	12,256	14,136	14,211	13,741
Govt. deposits	707	391	421	913
Total deposits	13,754	16,299	16,381	16,375
Total liabilities	19,693	23,559	23,612	23,731
Reserve ratio	87.8%	91.1%	91.1%	91.1%
BANKS AND TREASURY:				
RESOURCES				
Monetary gold stock	18,360	22,237	22,318	22,335
Treas. and bk. currency	2,989	3,103	3,106	3,104
LIABILITIES				
Money in circulation	7,484	8,805	8,811	8,826
Treas. cash and dep.	3,081	2,583	2,617	3,121

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s	Feb. 5, 1940	Jan. 20, 1941	Jan. 27, 1941	Feb. 3, 1941
ASSETS				
Gold and stg. exch.	12-04	15-15	16-16	17-18
Advances to State	24-71	26-91	26-93	26-59
Investments	3-36	3-77	3-77	3-78
LIABILITIES				
Bank Notes	18-14	21-93	21-82	21-67
Demand liab. : State	5-58	7-19	7-97	8-91
Banks and others	14-38	15-37	15-68	15-87
Reserves to sight liab.	31-6%	34-0%	35-5%	37-0%

BANK OF CANADA—Million Can.\$

ASSETS	Feb. 28, 1940	Feb. 12, 1941	Feb. 19, 1941	Feb. 26, 1941
Reserve : Gold	225-8	36-44	43-11	51-0
Other	5-7	36-44	43-11	51-0
Securities	212-2	566-04	565-93	569-33
LIABILITIES				
Note circulation	208-9	346-05	347-75	350-31
Deposits : Dom. Govt.	67-1	43-83	47-27	53-72
Chartered banks	211-5	203-37	205-47	208-16

AUSTRALIAN COMMONWEALTH BANK—Million £A's

ASSETS	Jan. 22, 1940	Jan. 6, 1941	Jan. 13, 1941	Jan. 20, 1941
Gold and English stg.	16-08	17-71	17-71	17-71
Other coin, bullion, etc.	7-80	6-54	6-04	6-55
Call money, London	26-23	64-49	64-77	62-32
Secrts. and Treas. bills	98-32	95-43	93-23	92-15
Discounts and advances	23-38	25-55	25-53	26-97
LIABILITIES				
Notes issued	52-02	68-12	63-87	62-87
Deposits, etc.	101-68	126-42	127-60	126-04

NATIONAL BANK OF JUGOSLAVIA

Million dinar	Jan. 15, 1940	Dec. 22, 1940	Dec. 31, 1940	Jan. 15, 1941
ASSETS				
Gold	1,991	2,663	2,740	2,787
Other foreign exchange	670	676	728	784
Discounts and advances	2,045	1,837	1,787	1,734
Govt. adv. and credits	3,067	3,073	3,061	3,061
Def. bonds discounted	1,128	6,675	6,914	6,952
LIABILITIES				
Notes in circulation	9,578	13,329	13,834	13,492
Sight liabilities	2,220	3,549	3,531	4,133

RESERVE BANK OF INDIA

Million rupees	Mar. 15, 1940	Feb. 28, 1941	Mar. 7, 1941	Mar. 14, 1941
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	562	325	321	324
Balances abroad	144	172	178	178
Sterling securities	1,135	1,405	1,405	1,405
Indian Gov. rupee secs.	384	498	498	496
Investments	128	71	71	69
LIABILITIES				
Notes in circin. : India	2,276	2,323	2,370	2,389
Burma	144	172	178	178
Deposits : Govts.	180	320	371	353
Banks	175	453	428	395
Reserve ratio	62.6%	69.3%	69.4%	69.3%

MONEY MARKET STATISTICS

EXCHANGE RATES

The following rates fixed by the Bank of England remained unchanged between March 20th and March 26th. (Figures in brackets are par of exchange.)

United States. \$ (4-80) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4-80) 4-48-47; mail transfers 4-43-47½. Switzerland. Francs (25-24) 17-30-40. Sweden. Krona (18-189) 16-85-95. Argentina. Peso (11-46) 16-95½-17-18; mail transfers 16-95½-17-15. Dutch East Indies. Florin (12-11) 7-58-62; mail transfers 7-58-64. Dutch West Indies. Florin (7-58-62) 7-58-62; mail transfers 7-58-64. Portugal. Escudos (110) 99-80-100-20. Panama. \$ (4-02-04) 4-02-04; mail transfers 4-02-04½. Manila. Peso 8-09-12; mail transfers 8-09-13.

Rates Fixed for Payment at Bank of England for Clearing Offices

Spain. Peseta (25-22½) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey. £T (1-10) 5-20.

Market Rates

The following rates remained unchanged between March 20th and March 26th :—Greece. Drachma (375) 515 sellers. Finland. Mark (193-23) 180-210. Egypt. Piastres (97½) 97½-1. India. Rupee (18d. per rupee) 17½-18½. Hongkong. 14½-15½d. per \$ Japan. Yen (24-58d. per yen) 13½-14½. Yugoslavia. Dinar (276-32) 155 sellers; trade payments 20 sellers. Singapore. \$ (28d. per \$) 28½-29. Colombia. Peso 6 (nominal). Belgian Congo. Francs 176½-178. Shanghai. (Mar. 20-22) 3½-4d. (Mar. 24-26) 3-3½d. per \$.

SPECIAL ACCOUNTS are in force for the following countries and no rate of exchange is accordingly quoted in London: Hungary, Turkey, Brazil, Chile, Uruguay and Peru.

Forward Rates

Forward rates for one month have remained unchanged as follows :—United States. ½ cent pm-par. Canada. ½ cent pm-par. Switzerland. 3 cents pm-par. Sweden. 3 ore pm-par. Dutch East Indies. 1½ cents pm-par.

MONEY RATES, LONDON

The following rates remained unchanged between March 20th and March 26th :—Bank rate, 2% (changed from 3% October 26th, 1939). Discount rates: Bank Bills, 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%. Treasury bills: 2 months, 1-1½%; 3 months, 1½%. Day-to-day money, ½-1½%. Short loans, 1-1½%. Bank deposit rates, 1%. Discount deposits at call, ½%; at notice 1%.

SHORTER COMMENTS

Transvaal Working Profit, February.—Total estimated working profit of gold mines for February, £3,670,312, against £3,995,731 for January.

Swedish Ball-Bearing Co.—Net profit 1940, Kr.19,072,237 (Kr.20,141,191) after Depreciation, Kr. 7,323,798 (Kr. 7,116,554) and Taxes, Kr. 17,000,000 (Kr.10,000,000). Dividend, Kr. 12 per share as before. To Pensions, Kr.1,560,000 (Kr.1,560,000). To Trade equalisation account, Kr.1,300,000 (Nil). To Surplus, Kr.612,237 making it Kr.51,627,837.

Mercantile Investment and General Trust.—Dividend and interest income for year to Jan. 31st £423,252 (£444,450). Income tax deduction £137,274 (£142,591).

Net revenue £172,422 (£205,900). To General reserve £15,000 (£15,000). Ordinary dividend reduced from 11 to 10½ per cent. Forward £123,999 (£123,677).

Public Benefit Boot Co.—Profit 1940, £170,935 (£107,665). To depreciation, £15,503 (£14,553). To taxation and contingencies, £110,000 (£26,783). Dividend on deferred capital, 10 per cent. as before. Carry forward, £13,631 (£10,983).

Standard Motor Co.—Profit year to August 31st, 1940, £184,317 (£322,492). Ordinary dividend reduced from 25 to 15 per cent.

Wagon Finance Corporation.—Revenue for 1940 £65,377 (£74,510). Income tax, E.P.T., and expenses £15,139 (£12,785). Interest on debentures and

loans £35,054 (£42,558). Net profit £12,465 (£16,180). Total ordinary distribution 10 per cent. (17½ per cent.) Reserve £5,000 (£5,000). Carry forward £18,170 (£18,205).

Shell Union Oil Corporation.—Preliminary figures indicate net earnings for 1940 about \$15,600,000 or \$1.05 a share after provision for preferred dividend of \$5.50 per share. Net income 1939 \$11,805,712 or 76 c. a share on the common stock.

Transvaal Gold Output, February.—(Fine ounces) Witwatersrand, 1,102,256; Other districts, 27,719. Total, 1,129,975. January total, 1,211,271. Native labour employment at end of February: Gold mines, 371,624. Coal mines, 19,418. Total, 391,042.

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.
Financial, Land, etc.		£	£	£	£	£	£	%	£	£	£	%	
Cordova Land Co.	Dec. 31	45,928	...	14,622	37,916	...	14,425	2	...	+ 197	45,991	10,346	
Lewis's Investment	Feb. 28	430,890	...	252,670	302,291	114,397	124,146	17½	10,000	+ 4,127	528,894	259,007	
Matador Land and Cattle	Dec. 31	141,476	...	19,368	36,456	...	14,375	12½	...	+ 493	119,722	23,227	
Nat. Mtge. of New Zealand	Sept. 30	165,293	...	17,220	32,756	...	17,078	5½	...	...	131,206	16,736	
Iron, Coal and Steel													
Arrol (Sir Wm.) & Co.	Dec. 31	188,266	12,000	56,135	97,190	16,555	17,060	25	20,000	+ 2,520	215,401	78,538	
Bairds & Scottish Steel	Dec. 31	136,270	...	133,770	174,734	36,225	77,280	8	...	+ 20,265	181,356	179,231	
Baldwins Ltd.	Dec. 31	360,411	150,000	204,548	248,153	59,150	144,487	10	...	+ 911	403,779	278,755	
Cannell, Laird & Co.	Dec. 31	266,116	...	241,852	306,875	102,062	10	100,000	+ 39,790	...	250,851	235,304	
Grassmoor Co.	Dec. 31	78,564	20,000	26,164	72,034	2,760	14,233	7½	10,000	+ 829	70,828	27,445	
Guest Keen Baldwins	Dec. 31	602,502	400,000	52,098	139,066	44,010	...	...	...	+ 7,188	682,782	182,371	
Heddlies Ltd.	Dec. 31	297,436	...	19,452	29,427	7,762	139,494	22½	...	+ 112,365	302,368	204,298	
Halesowen Steel Co.	Dec. 31	56,052	10,000	35,940	42,912	...	14,375	25	15,000	+ 4,646	31,134	18,534	
MacLellan (P. & W.)	Dec. 31	55,000	12,500	20,528	40,999	5,082	20,520	6	15,000	+ 420	61,554	42,492	
Nunnery Colliery	Dec. 31	41,061	...	...	...	...	8,855	5	7,000	+ 389	49,167	25,779	
Rubber													
Glendon	Sept. 30	8,952	...	3,176	3,648	...	2,600	5	550	+ 26	5,444	2,721	
Kali Glasgow	Sept. 30	31,655	...	7,299	9,241	...	7,280	5	...	+ 19	15,033	4,510	
Shops and Stores													
Harrods, Ltd.	Jan. 31	1,951,760	100,560	405,609	590,515	300,000	88,608	4	...	+ 17,001	2,277,674	522,917	
Maple & Co.	Jan. 31	278,934	8,898	164,043	205,295	60,000	92,000	5	...	+ 12,043	132,392	77,905	
Owen Owen Ltd.	Jan. 31	88,003	...	14,890	22,968	13,000	1,502	5	...	+ 388	83,026	20,709	
Trunks													
Caledonian Trust	Jan. 31	108,938	...	38,067	77,948	16,392	17,967	7	3,738	...	112,593	43,526	
City Property Investment	Jan. 31	20,406	...	7,553	12,384	3,816	2,910	10	...	+ 832	21,530	9,160	
English & Scottish Invest.	Jan. 31	47,931	...	22,481	37,541	13,453	7,175	4	...	+ 1,853	45,336	23,745	
Scottish Eastern Inv.	Jan. 31	91,794	...	33,725	60,570	12,638	12,307	6½	5,000	+ 3,780	91,991	36,012	
Scottish Western Invest.	Jan. 31	130,414	...	53,298	106,457	16,392	30,801	12	6,135	...	133,895	61,472	
Other Companies													
Associated Electrical Ind.	Dec. 31	1,709,695	261,283	455,512	708,630	60,152	283,006	10	100,000	+ 12,354	1,470,265	477,083	
Automatic Telephone	Dec. 31	238,052	44,794	144,687	311,969	14,000	130,547	12½	...	+ 120	276,249	158,690	
Bath & Portland Stone	Dec. 31	38,413	...	16,622	60,803	...	17,500	7	...	+ 878	62,433	35,056	
British Aluminium	Dec. 31	912,211	50,000	508,156	684,796	300,000	100,000	20	100,000	+ 18,156	1,075,796	647,546	
British Insulated Cables	Dec. 31	786,232	209,622	107,361	191,609	9,703	39,168	12½	50,000	+ 8,500	86,654	79,754	
Brown Brothers	Jan. 16	114,261	...	212,905	236,213	56,875	30,041	3	120,000	+ 5,989	136,576	132,493	
Cook Son & Co.	Sept. 30	260,527	...	180,293	202,083	...	100,000	12½	75,000	+ 5,923	201,320	165,217	
De Havilland Aircraft	Dec. 31	208,470	161,429	97,291	83,061	36,000	22,400	22½	40,000	+ 4,891	229,015	131,135	
Dublin United Trams	Dec. 31	304,033	20,000	73,894	118,805	5,455	31,390	20	39,351	+ 2,302	63,050	55,418	
Field Sons & Co.	Dec. 31	81,174	3,558	14,663	42,837	1,320	17,595	17½	...	+ 4,252	35,412	26,413	
Gaskell & Chambers	Dec. 31	124,662	20,000	37,225	92,161	...	18,688	5	...	+ 18,537	123,263	50,085	
General Refrigerators	June 30	53,833	9,681	34,543	21,808	14,050	6,004	3	5,000	+ 15,493	2,618	...	
Goodacre (William)	Dec. 31	79,562	3,033	15,564	23,411	8,603	6,875	5	...	+ 1,083	5,308	869	
Granger & Smith	Oct. 31	14,604	...	7,958	12,443	...	4,631	7½	...	+ 38	26,770	5,558	
Griffiths (William)	Dec. 31	31,221	3,500	4,459	11,644	...	...	...	...	...	...	...	
Hirst (Geo. H.) & Co.	Dec. 31	257,611	...	177,776	235,547	37,500	87,500	17½	50,000	+ 2,776	271,476	189,243	
Hoffman Manufacturing	Dec. 31	290,486	...	140,456	160,847	19,594	69,000	15	50,000	+ 1,892	248,412	100,412	
Hoover, Ltd.	Dec. 31	198,095	40,000	147,302	208,835	...	53,568	6	...	+ 93,824	121,694	85,349	
Lampart & Holt Line	Sept. 30	121,129	16,097	38,311	90,144	3,937	25,000	33½	10,000	+ 623	118,868	31,913	
Leney (Frederick) & Sons	Sept. 30	199,852	68,295	90,003	227,255	37,060	23,546	7½	...	+ 29,897	158,079	97,853	
Napier (D.) & Son	Dec. 31	64,548	...	40,048	69,951	12,000	30,400	5	...	+ 7,048	32,786	23,766	
National Gas Engine	Dec. 31	45,337	...	12,785	18,649	...	13,700	6	...	+ 915	36,299	14,615	
Newport (Mon.) Gas	Dec. 31	189,344	15,560	95,447	169,914	60,375	11,500	2	25,000	+ 1,572	159,331	82,225	
Provincial Newspapers	Nov. 30	374,729	...	235,130	387,214	169,800	50,000	10½	...	+ 15,330	366,333	242,385	
Rowntree & Co.	Dec. 31	118,096	...	44,806	65,763	15,831	24,000	8	10,000	+ 5,025	133,018	78,356	
Rubert Co.	Dec. 31	118,096	...	148,900	188,254	34,500	43,125	3½	60,000	+ 5,275	134,544	130,486	
Rylands & Sons	Jan. 19	151,044	6,000	12,985	18,829	...	10,350	15	2,000	+ 635	22,796	10,295	
Switchgear & Cowans	Dec. 31	38,193	...	18,609	31,601	...	9,692	10	...	+ 8,917	37,629	16,546	
Transparent Paper Ltd.	Dec. 31	34,035	1,821	7,024	14,141	...	8,900	10	...	+ 124	20,257	17,174	
Tremlett Ltd.	Dec. 31	44,738	...	10,652	14,769	15,849	...	20	20,000	+ 1,738	79,042	39,042	
Tizer, Ltd.	Dec. 31	24,133	...	44,738	59,018	...	...	...	...	+ 4,118	38,894	23,699	
United Newspapers	Dec. 31	428,506	...	11,355	30,153	1,840	7,390	8	2,000	+ 4,632	259,834	77,867	
Venesta Ltd.	June 30	20,252	...	...	...	...	...	...	...	+ 155	20,530	12,546	
Wheat Heat & Gas	Jan. 31	20,252	...	...	...	...	...	...	...	+ 1,544	36,111	27,545	
Wiseman (M.) & Co.	Dec. 31	...	...	...	...	...	...	...	...	...	...	...	
Totals (5000's)	No. of Cos.	13,610	1,666	5,645	9,176	1,498	2,973	...	700	+ 474	13,182	6,377	
Week to Mar. 29, 1941	639	99,102	6,208	50,627	77,528	9,776	34,367	...	4,698	+ 1,886	94,299	55,943	
Jan. 1 to Mar. 29, 1941													

BRITISH WHOLESALE PRICES

CEREALS AND MEAT				COTTON—continued.				MISCELLANEOUS			
Mar. 18, 1941				Mar. 18, 1941				Mar. 18, 1941			
1941				1941				1941			
1941				1941				1941			
GRAIN, etc.				CEMENT , best Eng. Portland, d/d site, London area, in paper bags or jute sacks 20 to ton—(a).				CHEMICALS			
Wheat—				4-ton loads and upwards per ton				Acid, Oxalic, net.....per ton			
No. 1, N.Mt. 400 lb. f.o.b. Mont.				s. d.				Tartaric, English, less 5% lb.			
32 6 32 0				s. d.				Ammonia, Sulphate.....per ton			
14 7 14 7				s. d.				Nitrate of Soda.....per ton			
Barley, Eng. Gaz. av., per cwt. (e).....				14 2 14 2				Potash, Sulphate.....per ton			
25 6 25 6				13 1 13 1				Soda Bicarb.....per ton			
Oats (e).....				13 1 13 1				Soda Crystals.....per ton			
15 2 15 4				13 1 13 1				COPRA (per ton)—S.D. Straits, c.i.f.			
Malze, La Plata, 480 lb., f.o.b.				26/0/0 26/0/0				HIDES (per lb.)—			
10 9 10 9				26/0/0 26/0/0				Wet salted Australia.....40/50 lb.			
MEAT —Beef, per 8 lb.—				26/0/0 26/0/0				Cape, J'burg Ord.....0 6 0 6			
English long sides.....				26/0/0 26/0/0				Dry Capes, 18/30 lb.....0 7 0 7			
4 8 4 8				26/0/0 26/0/0				English & Welsh Market Hides.....0 6 0 6			
Imported hinds.....				26/0/0 26/0/0				Best heavy ox and heifer.....0 8 0 8			
4 4 4 4				26/0/0 26/0/0				LEATHER (per lb.)—			
Mutton, per 8 lb.—English.....				26/0/0 26/0/0				Sole Bends, 8/14 lb.....2 2 2 4			
4 4 4 4				26/0/0 26/0/0				Shoulders.....4 4 4 4			
Imported.....				26/0/0 26/0/0				Insolo Belles.....2 4 2 4			
4 4 4 4				26/0/0 26/0/0				Dressing Hides.....2 2 2 2			
Pork, English, per 8 lb.....				26/0/0 26/0/0				PETROLEUM PRODUCTS (per gal.)			
8 0 8 0				26/0/0 26/0/0				Motor Spirit, England & Wales.....1 9 1 9			
BACON (per cwt.)—Wilts. cut side				26/0/0 26/0/0				(b) Kerosene, Burnling Oil.....0 11 0 11			
125 6 125 6				26/0/0 26/0/0				Vapourising Oil.....0 11 0 11			
HAMS (per cwt.)—Green.....				26/0/0 26/0/0				(b) Automotive gas oil, in bulk, ex road tank waggon.....1 6 1 6			
131 6 131 6				26/0/0 26/0/0				Fuel oil, in bulk, ex instal. Thames.....0 7 0 7			
OTHER FOODS				26/0/0 26/0/0				Furnace Diesel.....0 8 0 8			
BUTTER (per cwt.)—All Grades				26/0/0 26/0/0				ROSIN (per ton)—American.....25/0/0 25/0/0			
143 0 143 0				26/0/0 26/0/0				RUBBER (per lb.)—			
CHEESE (per cwt.)—				26/0/0 26/0/0				St. ribbed smoked sheet.....s. d. 1 2 1 2			
Home Produced.....				26/0/0 26/0/0				SHELLAC (per ton)—TN Orange.....90/0/0 90/0/0			
Imported.....				26/0/0 26/0/0				TALLOW (per cwt.)—London Town.....22 10 22 10			
99 2 99 2				26/0/0 26/0/0				VEGETABLE OILS (per ton net)—			
COCOA (per cwt.)—				26/0/0 26/0/0				Rape, crude.....41/10/0 41/10/0			
Accra, g.f.....				26/0/0 26/0/0				Cotton-seed, crude.....44/5/0 44/5/0			
45 0 45 0				26/0/0 26/0/0				Coconut, crude.....31/2/6 31/2/6			
Granada.....				26/0/0 26/0/0				Palm.....28/2/6 28/2/6			
95 0 95 0				26/0/0 26/0/0				Oil Cakes, Linseed, Indian.....20/15/0 20/15/0			
COFFEE (per cwt.)—				26/0/0 26/0/0				Oil Seeds, Linseed.....7/15/0 7/15/0			
Santos supr. c. & f.....				26/0/0 26/0/0				La Plata (new).....11/6/3 11/6/3			
Costa Rica, medium to good.....				26/0/0 26/0/0				Calcutta.....18/11/2 18/11/2			
120 0 120 0				26/0/0 26/0/0							
EGGS (per 120)—English.....				26/0/0 26/0/0							
25 0 25 0				26/0/0 26/0/0							
LARD (per cwt.)—Imported.....				26/0/0 26/0/0							
64 0 64 0				26/0/0 26/0/0							
POTATOES (per cwt.)—				26/0/0 26/0/0							
English, King Edward.....				26/0/0 26/0/0							
7 0 7 0				26/0/0 26/0/0							
SUGAR (per cwt.)—				26/0/0 26/0/0							
Centrifugals, 96%, prpt. shipm. c.i.f. U.K./Cont.....				26/0/0 26/0/0							
7 6 7 6				26/0/0 26/0/0							
REFINED LONDON				26/0/0 26/0/0							
Granulated, 2 cwt. bags.....				26/0/0 26/0/0							
40 6 40 6				26/0/0 26/0/0							
TOBACCO (per lb.)—				26/0/0 26/0/0							
Indian stemmed and unstemmed.....				26/0/0 26/0/0							
0 7 0 7				26/0/0 26/0/0							
TEXTILES				26/0/0 26/0/0							
COTTON (per lb.)—				26/0/0 26/0/0							
Raw, Mid-American.....				26/0/0 26/0/0							
9 03 8 99				26/0/0 26/0/0							
YARNS (per lb.)—				26/0/0 26/0/0							
Giza, F.G.F.....				26/0/0 26/0/0							
12 10 12 08				26/0/0 26/0/0							
Wool (per lb.)—				26/0/0 26/0/0							
32's Twist.....				26/0/0 26/0/0							
16 54 16 32				26/0/0 26/0/0							
Wool (per lb.)—				26/0/0 26/0/0							
40's Twist.....				26/0/0 26/0/0							
17 85 17 83				26/0/0 26/0/0							
Cloth (per yd.)—				26/0/0 26/0/0							
32 in. Printers, 116 yds.....				26/0/0 26/0/0							
s. d. s. d.				26/0/0 26/0/0							
16 16, 32's & 50's.....				26/0/0 26/0/0							
26 3 26 3				26/0/0 26/0/0							

The Duce has even more serious reasons for hesitation. Italy, even more than Germany, is Yugoslavia's immediate enemy. If Germany were to launch an invasion, the Yugoslavs would hardly resist the temptation of driving the hard-pressed Italians in Albania into the sea. It is therefore not surprising that there are rumours from Rome of Italian "mediation." Italy is, however, in much the same position as Yugoslavia. Nothing the Duce does now can really affect the German decision. It is even arguable that in pure exasperation at Italy's ineptitude the Germans would be prepared to pass over the threat to the isolated Italian armies in Albania.

The decision rests with Berlin, and there is evidence that they do not find it easy to reach one. The week's uncertainties have been covered by a smoke screen of propaganda, designed to test the metal of the Simovitch Ministry and to prepare German public opinion for a new enemy if invasion should prove to be the outcome. The old atrocity stories—with the adjective Yugoslav substituted for Czech or Pole—have been pulled out of Dr Goebbels' bottom drawer. More ominous is the quiet departure of German and Italian officials and reports that the documents at the German Legation have been destroyed. The evidence, on the whole, suggests that Germany has decided on war, but is still uncertain over the timing of invasion. The victory at Matapan by which Britain's communications between Egypt and the Balkans have been secured is still creating an unfavourable psychological background for aggressive action. The Germans may wish to wait until they have put an end—if they can—to the sequence of Axis reverses.

While Germany still hesitates, it is fortunate that British diplomacy is so strongly and actively represented in the actual war zone. Mr Eden's Near Eastern journey has already been singularly fruitful. Now he has the chance to increase Germany's discomfiture

still further. In this context the attitude of Turkey will possibly be decisive. Ever since Italy's entry into the war the Turks have seen hostilities creep closer and closer to their "zone of security." They have not been intimidated by the growing danger, but their's has been a passive courage of holding firm rather than an active intention to avert further disaster. With the Germans in Bulgaria, Turkey's own frontiers are on the verge of war, and it is at the eleventh hour that the Yugoslav *coup d'état* has recreated the possibility of collective defence.

Hitherto Russia's attitude has had an inhibiting effect upon Turkish diplomacy. Now, however, Russia has given Turkey a guarantee that it will not add to Turkey's embarrassment if the country is involved in a war in defence of its territory, and the Turks can interpret this as a reasonable assurance that a collective move of Balkan defence will be included by Russia in the category of "defensive war." That Germany is perturbed by Russia's attitude is illustrated by the spate of

rumours which have been flowing from Axis sources in the last week. All the reports point in the same direction—to an imminent German onslaught on Russia—and they suggest that Germany is trying to frighten the Soviets back into their old rôle *vis-à-vis* Turkey.

The task before British diplomacy is obvious. It is to ensure that wherever the Germans decide to strike—against Yugoslavia or Greece or Turkey—the attack on one shall be regarded as an attack on all. The Turks' greatest temptation—to hold aloof should the first German attack be launched against Salonika or Croatia—must be countered by firm diplomacy on Mr Eden's part. If the Turks proved to be the first victims, they would expect co-operation from Britain and Greece. They must be reminded that the only basis for such a hope is a reasonable Turkish *quid pro quo*.



The Future of Politics

MINISTERS of all parties are now agreed that they should remain in office for at least three years after the war. Three years, it is argued, will be necessary for reconstruction, which should be a matter for agreement between the parties and not for faction; and this general premise is backed by a triple salvo of arguments. It is claimed, first, that party politics would be no more relevant or effective in the post-war emergency than they would be in the war itself; secondly, that the post-armistice election of 1918 was a disaster because the electors' choice was too confused by the proximity of the war and its revolutionary aftermath in other countries; and, thirdly, that a deliberate return to the "petty and frustrated" political manoeuvring of the decade before the war would be an unpardonable surrender of the present national unity.

The Government's point of view can easily be understood. No leader in modern times has held the nation's confidence as Mr Churchill does; the formation of his Cabinet last spring broke a deadlock which had dammed the course of British politics all through the MacDonald-Baldwin-Chamberlain era. Moreover, the experience of winning one war but losing

the peace is still too fresh for conflict and drift to be lightly risked again when this war is over. Agreement on the first stages of reconstruction will be indispensable. Nevertheless, there are dangers in this unanimity of opinion among Ministers about their future. For one thing, it is a poor argument to say that because war must be fought without parties, reconstruction must be party-less, too. Reconstruction is not a matter of a single struggle and a final victory; its term is not 3 years but 33 and more; and the character and composition of all the governments of the next decades will be as important to the community as the make-up of the one which draws up the treaties and mobilises the peace effort.

Indeed, the men who keep the peace will have an even more crucial task than those who make it—that is the lesson of 1918-39—and the real question to be answered when the fighting stops is not what post-war government will enable the immediately with the least disturbance, but what system of political practice will ensure that all the successive governments of the new peace know and apply the real wishes of the majority of the people. War is a

single-ended, ultra-technical, and irrational business; how it is to be won must be the exclusive affair of a trusted Cabinet. Peace is a matter of choice between different paths; and the choice must be made by the people themselves.

The other arguments are no more sound. The election of 1918, which is being made the chief bogey, is no precedent. Unwisely, it was held 5 weeks after the armistice, before the war had ended. There was a red and green tide of revolt against established institutions flowing over most of Europe; and Bolshevism was in spate in Russia. It is true that, in these conditions, unreasoning fears and still warmer hatreds probably played too large a part on the hustings and at the polls. But it is worth noting that the vengeful demands of the "hard-faced business men" who were elected accord better, in the present view of some of the very people who are now using that election as a reason for extending the life of the present Parliament, with the way in which a militant Germany should be treated than the more generous attitude that might have been adopted by, say, 1914 Liberals would. In any case, to protest against the next election being delayed until 3 years after the war is not to say that the people should go to the polls 3 or 5 weeks after the armistice. Until the men and women have come back from the war, from the forces, and from the factories, the nation will not be ready.

Finally, there is the argument from the unhappy experience of the 'thirties. Party politics were petty then because they were frustrated, indecisive because they never sought a decision on the real issues of current government; and the immediate future of the present Parliament and the present Government is important precisely because the whole future of party politics is involved. Before the war, the cleavage between the parties had become unreal. Ostensibly, it was Conservatism *v.* Socialism. Actually, this was never an issue. The Labour Party had no real wish to be Socialist in more than voice, and no practical inclination therefore to be subjected to the test of government. Like the Conservatives, its personnel was in fact split across by the deep crosscut of the division between the narrow sectionalism of the trade unions—which was akin and parallel to the sectionalism of the Tory business men whose shortsight dominated the counsels of the Baldwin and Chamberlain Governments—and the broader aspirations of the few among its progressive members who preferred the interests of the community at large to the interests of a section or the "ideology" of a sect.

This was the real issue. It is the gulf between the "Particularism" of business men, industrialists, farmers and trade unionists, and the "Community" of the younger National Conservatives who followed Mr Churchill against Mr Chamberlain, of an able handful of Liberals, of Labour men with broad minds, and of thoughtful men of no party at all. It is this sturdy preference for the community and the consumer, against the separate interests and privileges of producers, distributors and cliques that bridges the best elements of all parties. The strength of the bridge is the welfare and independence of the individual citizen, not the mass or the lump. It is inevitable that the post-war state should be more interventionist than ever before. But it must intervene to free the citizen, not to protect the clique or *claque*. It is Particularism *v.* the Commonwealth that is the question; and the crime of the parties before the war was that, with Particularism in charge on both sides, every answer but one was suffocated.

It has been well-tested doctrine at least since Burke that it is faction not party that offends the national interest. The plea for the Commonwealth is based on tradition and not on restlessness or revolt. It is not enough to say that the country must have an unopposed administration to carry through an agreed programme of reconstruction. The most important point is what kind of reconstruction; and many people

who would follow Churchill to the death in war would not unreservedly trust Churchill *cum* Attlee, Greenwood, the FBI and the TUC to lead them to a freer and fairer life in peace. It is the people who must choose; they cannot make their choice until a new alignment of parties gives them the chance to discuss and decide upon the alternatives of Particularism and the Commonwealth; and any agreed programme between the present Ministers and their party followings must tend to burke this discussion and blur this clear-cut choice.

The central issue in reconstruction is the basis on which the State is to be organised. Will industry be organised in such a way as to produce the maximum of profits and wages for its staffs or so as to produce the maximum of goods and services for the community? Will trade be organised so as to produce the maximum of protection for its vested interests or so as to furnish the greatest possible flow of goods for consumption? Will education and social welfare be organised as a charitable excrescence on the community's activities, marking off clique from clique, or as the means of providing the community with the maximum of able, enterprising and healthy leaders and citizens? These questions must be answered before any rebuilt Britain can surely stand. And before they can be answered they must be posed and discussed. They must be put clearly before the people as the paramount issues and they must pass through the mill of popular and political debate. The function of parties is to pick the right agenda and to state the rival cases; and for a generation they have failed to do this. The questions are not new; the need to answer them has stimulated the advance of Parliamentary democracy since Disraeli conceived his Young England and *The Economist* was founded as an Anti-Corn Law newspaper—a rôle in which, by mischance, it may find itself again at its centenary two years from now. The present parties, singly or in "sacred unity," will inevitably let the answers go the worst way by default.

To state the problem is not to solve it. An election 3 weeks, 3 months, or 3 years after the armistice would be run with these parties and by their powerful machines. An early election would be a coupon affair returning a majority of supporters of the present deadlock. What difference would it make? Very little immediate difference, perhaps, in either men or measures. But it might begin the process of restoring politics to life and health. It might start the reformation of ideas and policies and the reshaping of party lines. It might begin the weeding and rejuvenation of Parliament's membership. It might steadily bring to the light of discussion and criticism the real issues that are at stake; and it might produce a Parliament in a decade or two, or less, which could carry on a decade of reconstruction worthily. It would be an act of faith—faith in the British instinct for political wisdom and in the capacity of the people, not only to choose the way, but also to produce leaders at present unseen.

To lay down now that the present unreal parties, in fortuitous alliance, and the present over-age Parliament shall in any event remain undisturbed for 3 years after the war is really an act of cowardice. At least it shows little faith. The House of Commons is 5½ years old. At the end of the war it may be 7 or 8; at the end of the Three Year Plan it may be 10 years of age or more. It will be ossified and discredited. Democracy cannot be rejuvenated by a new Rump. No one knows what conditions at home and abroad will be when the war ends; and it would be as foolish to fix an early date for the first election as a late one. But it should be realised that lateness will not be a virtue; and, on the other side, that the sooner the traditional modes of British politics are restored to convalescence, the greater will be the chances of that dynamic revival of British democracy upon which the quality of reconstruction will depend and for which, only half-articulately, the bulk of the British people are already looking.

Methods of Concentration

THE policy of concentrating the output of restricted industries into the smallest possible number of plants, so as to release the maximum possible quantity of man-power, machinery and factory space, has received a very general welcome both in the country and in last week's debate in the House of Commons. The practical problems raised by it are admittedly numerous and difficult; but it is accepted that the civil section of the national economy must be compressed by every possible means if the fullest resources are to be put into the winning of the war. There was a refreshing willingness in the debate to take the principle for accepted and to discuss the methods of its application.

The President of the Board of Trade has been slow in realising—or at least in emphasising in public statements—that the community has a strong interest in the methods by which concentration is achieved as well as in the fact of its achievement. The tenor of his original announcement was that the initiative and the choice of methods would be left to the discretion of industries, who might have been forgiven if they assumed that it was only in the event of their failure to agree among themselves that the Board would intervene to use its mandatory powers. This was clearly a false position: no community can remain indifferent to the methods by which its industries are organised, and Captain Lyttelton was very well advised to correct the impression that had been created. The Board of Trade would be assuming too heavy a burden of detailed work if it were to indicate to each industry just how it should concentrate itself. But it can, and should, lay down certain general directions about the methods that should be followed and those that, in the public interest, should be avoided.

The details of technique and structure vary widely from industry to industry. But in spite of the manifold possibilities of detailed variation there are only five main types of method by which concentration can be effected. The first is the *merger*; that is, the permanent concentration both of ownership and production. This could be effected either by the nucleus firm or firms buying the business of the closed-down firms or by the creation of a holding company to unite the ownership of all plants in the industry. In either case, the distinction between nucleus firms and closed-down firms would disappear; there would only be one or more nucleus firms, owning a number of plants, of which some would be working and some closed down. The second method is that of *levy and compensation*. By this method the selected nucleus firms would take the whole available trade and make such profit out of it as they could. A predetermined levy would be imposed upon them in order to raise funds for paying fixed compensation to those firms that stay out of business. The nucleus firms would have no obligation other than the payment of the levy towards the closed-down firms, and the closed-down firms would have no right other than the receipt of compensation to share in the fortunes of the industry. The third method, that of *transfer of quotas*, is a variant of the second. By this method, a quota of production would be fixed for every firm in order to ensure it its pre-war proportion of any business that is permitted. (This has already been done in a very large number of industries.) The nucleus firms would then purchase the quotas of those which are to close down. The main difference between this and the second method would be that greater scope would be allowed for individual bargaining.

The fourth method may be described as that of *pooling*. By this method all the firms in an industry join in a pool to operate the nucleus plant. For example, a company might be formed in which all the firms in the industry would hold shares in proportion

to their pre-war standing in the industry; the nucleus plant would then be leased by its owners to the new company, or operated at cost for the account of the new company, which would thus receive, and distribute to its members, all the profits of the industry. (In current discussion, this device has been referred to as that of the holding company. But the description is misleading, since a holding company is a device by which ownership and control can be concentrated while operation remains scattered; what is here described is the exact opposite, a concentration of operation while the financial interest in the profits earned and, to some extent, the power of control, remain dispersed.) This form of organisation would clearly be particularly suitable for an industry in which trade marks and brands are of importance. It would obviously be unfair if the nucleus firm were allowed to produce its own brands while others disappeared; a pooling scheme makes it possible for all peacetime brands to disappear simultaneously. Finally, the fifth method is that of the *agency agreement*, by which the nucleus firm produces the articles as the agent of the closed-down firms, which buy them at cost and sell them to the public through their accustomed channels. The "closed-down" firms, by this method, remain in commercial being, and only the physical production is concentrated.

What is the public interest at stake in the choice between these methods? The ends that the Government should seek are that as little damage as possible should be done to the peacetime efficiency of the industries affected, and that, so far as possible, no one engaged in an industry should be permanently prejudiced by the sacrifices he is now called upon to make for the community. Both these ends will be served if, in drawing up schemes of concentration, paramount attention is paid to the possibility of unscrambling the omelette after the war. Reversibility should be the watchword. Discussion tends to be prejudiced by the fact that the wartime process of concentration resembles the peacetime process of sterilising surplus capacity. But the resemblance is deceptive. These are not depressed industries in peacetime; on the contrary, they—the makers of luxuries and semi-luxuries for the home consumer—are one of the most prosperous and most rapidly expanding sectors of the national economy. The bonds that compel their contraction in time of war should be such as can be instantly snapped when men and materials are once more available. It would be a disaster if wartime concentration were to leave any legacy of peacetime restrictionism. Moreover, these industries, as the President of the Board of Trade pointed out, do not normally lend themselves to production in large units. Concentration may be possible in wartime when brands can be pooled and the consumer's choice can be limited; but in peacetime variety and competition are the essence of a consumers' goods industry. The position of the small firm is also much more likely to be safeguarded—and it is much more likely to assent to schemes of wartime concentration which must necessarily tend to favour the larger units—if there is a reasonable assurance of complete and speedy return to the *status quo ante*. The object must therefore be to change as little as possible the structure of the industry, to keep as many firms as possible in commercial and financial activity, even if their production is concentrated, to look with disfavour on any arrangement that cuts firms off from their sales outlets, from current knowledge of the trade or from interest in its profits, to frown on any plan that creates, however temporarily, a class of industrial *rentiers*.

Judged by these principles—which are, broadly, those that the President of the Board of Trade laid

down in last week's debate—it is easy to see that the order in which the five varieties of method have been arranged above is an ascending order of desirability. The agency agreement is the best of all methods from the point of view of the community, with the pooling scheme second. The transferable quota method has the disadvantage that it tends to exclude closed-down firms from any but a rather indirect connection with the course of trade and profits; but it is, of all methods, the easiest to arrange, and for that reason may be considered to be admissible. The levy and compensation method is not to be desired, especially when the burden of the levy would fall on the consumer, and it should be conceded only in exceptional cases, such as industries where there is reason to suspect a permanent excess of capacity. The permanent merger should never be considered a satisfactory method of achieving temporary concentration. It is a great advance from the preliminary announcement to know not only that the Board of Trade accepts this order of preference but also that the Board is giving "very close direction as to the lines on which industry should proceed." The structure of British industry for decades to come will inevitably be affected by the ways in which concentration is now achieved, and it will be well worth while to take additional care over the methods of concentration now if by so doing dangers for the future can be avoided.

One of these dangers is that comprehensively known as "monopoly"—perhaps too comprehensively, since there seems to have been some misunderstanding in the House of Commons about the exact nature of the danger. Captain Lyttelton was able, without much difficulty, to show that so long as the schemes of concentration are reversible, there is no danger of a single firm being found after the war in sole control of an industry. That is true; but it does not exactly meet the point. The single large monopolistic firm—such as

Unilever or ICI—has its dangers; but at least those who are in control cannot evade their social obligations, nor are they prevented from pursuing a dynamic and progressive policy. The greater danger lies in the growing influence of what the common law knows (and used to condemn) as "agreements in restraint of trade" which, without securing whatever technical economies there may be in large-scale production, stifle the progressive elements in an industry, hamstringing competition and, under the plea of seeking "protection" and "security" give stability preference over progress. This tendency is already far too strong in British industry, and it is inevitable that any demonstration of the feasibility of "agreements in concentration of trade" during the war should increase the tendency towards "agreements in restraint of trade" after the war is over. It is difficult to see what precautions can be taken on this point at present; it is inherent in any policy of concentration. But it increases the urgency of placing the whole question of freedom v. combination in British industry on the agenda for post-war reconstruction. That minds are stirring in this direction was shown in the course of the debate by Sir George Schuster, who urged that "those who are engaged in private business should take a wider conception of the public duties which are put upon them in carrying out their activities." Very surprisingly, however, Sir George went on to maintain that this social conscience would be developed if a wider scope were given to Chambers of Commerce and trade associations. It is possible to agree entirely with Sir George's aspiration while remaining obstinately cynical about the means he suggests for carrying it out. But whatever the means of attaining a proper balance between individual freedom and social order in the sphere of industry, the problem is one of the most urgent that will face the country after the war. It should be constantly borne in mind in devising schemes of wartime concentration.

Before the Budget

THE financial year 1940-41 has closed without any last-minute surprises. The revenue was slightly larger than either the estimates or the yield that seemed probable three months ago, while expenditure continued at the high level reached after the New Year. The figures will be found on page 469 and in the tables of the vestigial Budget Supplement that is printed on the next three pages. The total expenditure of £3,867 millions was almost exactly £400 millions more than Sir Kingsley Wood's estimate in his Supplementary Budget of last July, and £1,200 millions more than Lord Simon's estimate last April. (It may be worth recording that *The Economist's* guess of last July was within £140 millions, or about 3½ per cent, of the eventual figure.) The rate of expenditure has been steadily rising over the financial year; the figures for the four quarters, expressed as an annual and also as a daily rate (and adjusted for the slight variation in the length of the quarter and for the uneven incidence of debt expenditure), are as follows:—

April-June, 1940...	£2,706 millions p.a. or £7.4 millions per diem
July-Sept., 1940...	£3,718 " " £10.2 " " "
October-Dec., 1940	£4,261 " " £11.7 " " "
January-Mar., 1941	£4,860 " " £13.3 " " "

The biggest increase, it will be noticed, came between the first and second quarters; thereafter the rate of increase has been very steady, in spite of any slackening that may have been imposed on expenditure in North America by the approaching exhaustion of the dollar reserves.

A number of the revenue items make interesting comparisons with the estimates. Thus income tax is £18 millions more than was expected, while surtax is nearly £6 millions below the estimate. A similar divergence is shown by Customs and Excise, the former

being £4 millions below the estimate and the latter £11 millions above. Purchase tax is included in the Excise figure, and it is to be hoped that the Chancellor will reveal how much it has produced in this first trial period. The tenacity of the car-driving habit continues to surprise the authorities, and motor vehicle duties have brought in £3 millions more than the estimate and £4 millions more than last year. NDC and EPT between them have also exceeded the expectation by a handsome margin.

The eventual deficit was £2,458 millions. This amount, together with sinking fund payments, repayments of debt and miscellaneous issues—a total of £2,684 millions—was financed by the issue of £1,320 millions of debt to the public in War Loan, Savings Certificates, etc., by an increase of £1,329 millions in floating debt (including Treasury deposits) and by the creation of a net amount of £85 millions of "other debt."

The problem of moving forward from the completed returns for the past year to estimates for the coming year is made more than usually difficult, not only by the uncertainties of physical output and monetary value, but also by the accounting problem resulting from the Lease-and-Lend Act. British Exchequer returns have always been strictly cash accounts—that is, they are records of cash received and expended, and since the receipt of leased-and-lent munitions involves no cash payment, the most natural method of treatment would be to make no mention of them in the Budgetary accounts. This is the course of action on which the Chancellor of the Exchequer has most probably decided. But a liability is accumulating against the United Kingdom in the books of the United States

(Continued on p. 441)

BUDGET FIGURES

It has been the custom of The Economist for many years to collect together, shortly before the Budget is presented to Parliament, facts and figures relating to the national finances. This year paper rationing has compelled severe cuts in the explanatory matter. Most of the tables, however, which have appeared in former years are given below, although in some cases they cannot be completed owing either to the secrecy surrounding most of the expenditure items or to the delay in publishing some of the sources of the figures.

Revenue

TABLE 1.—REVENUE (EXCHEQUER RECEIPTS)
(£ millions)

	1913-14	1929-30	1937-38	1938-39	1939-40	1940-41
Customs	35.5	119.9	221.6	226.3	262.1	304.9
Excise	89.5	127.5	113.7	114.2	137.9	224.1
Total	75.0	247.4	335.3	340.5	400.0	529.0
Income Tax	43.9	237.4	298.0	335.9	390.1	523.9
Sur-tax	3.3	56.8	57.0	62.5	69.8	76.1
Estate, etc., Duties	27.4	79.8	89.0	77.4	77.7	80.8
Stamps	10.0	25.7	24.2	21.0	17.1	13.7
Nat. Defence Contribution	...	...	1.4	21.9	26.9	24.1
E.P.T.	...	...	...	...	...	72.1
Other In. Rev.	3.4	8.2	1.7	1.6	1.3	1.0
Total Inland Revenue	88.0	402.7	471.3	520.3	582.9	791.7
Motor Vehicle Duties	...	26.8	34.6	35.6	34.1	38.0
Total Tax Revenue	163.0	677.0	841.2	896.4	1,017.0	1,358.7
Crown Lands	0.5	1.3	1.3	1.3	1.3	1.1
Sundry Loans	1.6	32.6	5.2	5.7	4.9	2.6
Miscellaneous	2.3	36.4	13.5	12.9	20.4	31.2
Post Office, Net Receipts, & Fund	6.2	9.0	11.3	10.9	5.6	15.3
Non-Tax Revenue	10.6	79.3	31.3	30.8	32.2	50.2
Total Ordinary Revenue†	173.6	756.3	872.5	927.2	1,049.2	1,408.9
Self-balancing Revenue:— Post Office and Broad-casting	24.6	58.0	76.1	79.0	83.1	86.4
Total Revenue	198.2	815.2	948.6	1,006.2	1,132.2	1,495.3

* £40,000.

† Including Road Fund revenue self-balancing until 1936-37 inclusive.

TABLE 2.—DIRECT AND INDIRECT TAXES

The following table shows how the contribution of direct taxes (i.e., income tax, surtax, estate duties, National Defence Contribution, Excess Profits Tax, and other inland revenue) to total tax revenue has been rising steadily in the last few years at the expense of indirect taxes (i.e., customs and excise, stamps, and motor duties).

	Direct £ millions	% of Total	Indirect £ millions	% of Total
1913-14	78.0	47.8	85.0	52.2
1929-30	376.9	55.6	300.0	44.4
1936-37	400.5	51.1	382.6	48.9
1937-38	447.1	53.2	394.1	46.8
1938-39	499.3	55.6	397.1	44.4
1939-40	565.8	55.6	451.2	44.4
1940-41	778.0	57.3	580.7	42.7

TABLE 3.—CONSUMPTION OF MAIN DUTIABLE ARTICLES
(In millions)

	1929-30	1937-38	1938-39
Dutiable spirits	12.2	10.5	10.4
Beer	20.7	18.7	18.7
Tea	401.7*	422.7	438.1
Sugar: refined equivalent ... cwt.	36.8	43.5	43.0
Tobacco	151.5	187.9	192.0
Artificial silk—home-made† ... lb.	56.9	156.8	142.1
Light hydrocarbon oil	903.0	1,350.2	1,393.0
Heavy oil (road fuel)	...	69.8	92.1

* 1928-29. † Quantities produced, including waste.

TABLE 4.—CUSTOMS AND EXCISE DUTIES—NET RECEIPTS

Details of the yield of customs and excise duties in 1939-40 are given in the following table. The tax changes, which account for the increase in the spirits, beer, wine,

sugar, and tobacco revenue, were given in last year's Budget Supplement, published in *The Economist* of April 13, 1940. In April, 1939, the duty for "living" entertainments was reduced, which, together with the effects of the war, accounts for the smaller yield in 1939-40. In July, 1940, however, the scale of duties for all entertainments was raised; this was estimated to increase the yield to £9 millions in 1940-41 and £11,200,000 in a full year.

(£ thousands)

	1913-14	1929-30	1936-37	1937-38	1938-39	1939-40
Spirits	23,976	42,509	38,214	35,849	35,663	40,659
Beer	13,655	77,151	62,680	65,740	65,581	78,750
Wine	1,152	4,881	5,148	4,989	4,825	5,703
Tea	6,499	43	7,818	7,341	10,551	11,729
Cocoa	341	689	1,061	870	1,101	1,335
Sugar, etc.	3,329	18,549	12,220	11,873	12,955	27,697
Tobacco	18,284	62,794	77,336	82,821	84,818	117,718
Matches and mechanical lighters	...	4,170	4,337	4,377	4,367	4,966
Hydrocarbon oils, etc.	841*	15,042	47,801	50,188	58,133	54,206
Entertainment duty	...	6,696	7,572	7,985	8,154	7,243
Liquor licences, etc.	4,517	4,587	4,567	4,812	4,836	4,800
Other revenue duties†	2,693	3,210	3,156	2,980	3,086	4,177
Total revenue duties	75,227	235,411	269,919	279,825	294,370	358,983
Silk and artificial silk	...	6,243	5,942	6,297	5,827	4,525
"McKenna" duties	...	3,692	2,522	2,812	1,961	1.1
Other protective duties†	...	2,637	1,535	4,752	4,665	...
Import Duties Act, 1932	...	...	27,754	29,682	25,281	...
Ottawa duties	...	...	7,643	8,089	8,123	...
Duties on Eire goods	...	...	4,712	4,181	326	...
Total protective duties	...	12,572	50,108	55,813	46,183	...
Grand total	75,227	247,983	320,027	335,638	340,553	400.5

* Motor spirit duty, repealed 1921. † Including British wine, table waters, cider and perry, coffee and chicory, dried or preserved fruits, railway passenger duty, patent medicines, other licences, and miscellaneous. ‡ Safeguarding abnormal importations, hops, and (1936-37) onwards beef and veal.

TABLE 5.—INCOME TAX RATE AND ALLOWANCES

	Years ended March 31			
	1938	1939	1940	1941
Standard rate in £	5s. 6d.	5s. 6d.	7s. 6d.*	8s. 6d.*
Personal allowance: Single	£100	£100	£100	£100
Married	£180	£180	£180	£170
Each child	£60	£60	£60	£50
Earned income allowance: Proportion	1/5th	1/5th	1/5th	1/6th
Maximum allowance	£300	£300	£300	£250
Fraction of standard rate charged on first part of taxable income	1/3rd on £135	10/33rds on £135	1/3rd on £135	10/17ths† on £165

* In September, 1939, standard rate raised from 5s. 6d. to 7s. 6d. for 1939-40 and to 8s. 6d. for 1940-41; in July, 1940, standard rate raised to 8s. 6d. for 1940-41.

† In September, 1939, the reduced rate of tax raised from one-third to one-half of standard rate for 1940-41; in July, 1940, the reduced rate raised to 5s.

TABLE 6.—INCOME TAX AND SURTAX

This table shows the amount of tax actually payable by specimen incomes. It compares the amounts payable since the changes in income tax and surtax made in the Budget of last July with the amounts in force on the outbreak of war. The table does not take into account further reliefs, such as for life assurance premiums, to which the taxpayer may be entitled.

Total Actual Income •	1939-40†: Standard 5s. 6d.				1940-41: Standard 8s. 6d.			
	Single	Married		Single	Married			
		No child	3 children		No child	3 children		
£	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	
300	12 12 6	5 0 0	Nil	37 10 0	20 0 0	Nil	Nil	
400	34 12 6	12 12 6	Nil	70 5 10	40 16 8	3 6	3 6	
500	56 12 6	34 12 6	3 6 8	105 14 2	75 19 2	24 3	24 3	
600	122 12 6	100 12 6	3 6 8	211 19 2	182 4 2	118 9	118 9	
1,000	166 12 6	144 12 6	95 2 6	282 15 10	253 0 10	189 5 10	189 5 10	
2,000	414 2 6	392 2 6	342 12 6	672 7 6	642 12 6	578 17 6	578 17 6	
5,000	1,591 6 3	1,589 6 3	1,519 16 3	2,428 12 6	2,398 17 6	2,335 2 6	2,335 2 6	
10,000	4,227 11 3	4,205 11 3	4,156 1 3	6,078 12 6	6,048 17 6	5,985 2 6	5,985 2 6	
50,000	30,977 11 3	30,955 11 3	30,906 1 3	41,641 2 6	41,611 7 6	41,547 12 6	41,547 12 6	

* Assuming all earned income. Maximum addition to tax where income is from investments (and operating at incomes of £1,500 and over) is £82 10s. in 1939-40, or £106 5s. in 1940-41.

† Pre-War Budget.

TABLE 7.—SUR-TAX INCOME CLASSIFICATION

The latest available figures of the number of sur-tax payers falling in the different income groups and their

aggregate incomes are given in the following table. In the April, 1940, Budget the amount over which the total income of a person becomes liable to sur-tax was reduced from £2,000 to £1,500, to become effective for the tax payable on January 1, 1942.

Income Group	1936-37				1937-38			
	Persons		Total Income		Persons		Total Income	
	No.	%	Amount	%	No.	%	Amount	%
£	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2,000-2,500	26,485	26.8	59,134	11.9	26,800	26.3	59,713	11.4
2,500-3,000	17,143	17.3	46,852	9.4	17,652	17.3	48,376	9.3
3,000-4,000	19,491	19.7	67,096	13.5	20,269	19.8	69,782	13.4
4,000-5,000	10,809	11.0	48,150	9.7	11,187	11.0	49,875	9.6
5,000-7,000	73,930	74.8	221,232	44.5	75,908	74.4	227,746	43.7
7,000-10,000	10,588	10.7	62,128	12.5	11,073	10.9	64,775	12.4
10,000-20,000	6,581	6.7	54,451	11.0	6,891	6.7	57,776	11.1
Over 20,000	2,113	2.2	84,502	16.9	2,233	2.2	91,493	17.5
Total	98,732	100	497,194	100	102,622	100	521,471	100

Expenditure

TABLE 8.—EXPENDITURE (EXCHEQUER ISSUES)
(£ millions)

	1913-14	1929-30	1937-38	1938-39	1939-40	1940-41
National Debt services ...	24.5	355.0	224.0†	230.0	230.0	230.0
Other Consolidated Fund services	12.8	22.2	12.0	14.3	16.8	17.2
Total Con. Fund services	37.3	377.2	236.0	244.3	246.8	247.2
Navy, Army, Ordnance, and Air Votes	77.2	113.0	197.2	254.4	217.9	23.3
Civil Defence§	...	...	...	...	...	3,637.1
Civil, Roads, Customs, etc., and In. Rev.	58.4	280.4	407.8	423.5	428.6	...
Vote of Credit	...	...	...	...	...	...
Total supply services (excluding P.O. & Broad-casting)	135.6	393.4	605.0	695.7	1,078.3	3,637.1
Total Expend. inc. S. Fds. Add issues out of Defence Loans	172.9	770.6	841.0	940.0	1,325.1	3,884.3
„ New S. Fund outside debt charge	...	4.8	2.8	...	4.2	...
Total Expenditure	172.9	775.4	908.7	1068.1	1821.0	3,884.3
Self-balancing:— Post Office and Broad-casting	24.6	58.0	76.1	79.0	83.1	86.4

† Excluding sinking fund allocations of £2.8 millions which the fixed debt charge was insufficient to meet. ‡ Former Road Fund self-balancing expenditure transferred to Civil Services for comparison. § Interest on Nat. Savings Certificates. § Included in civil expenditure until 1938-39.

TABLE 9.—DEFENCE EXPENDITURE (INCLUDING ISSUES FROM LOANS)

Supply expenditure for 1940-41 has not been allocated among the different services, and it is not, therefore, possible to give the exact total spent on defence. Table 10, however, gives the net estimates for purely civil expenditure in 1940-41, civil defence and the war services of civil departments being excluded. Subtracting the total from the supply expenditure leaves, therefore, a figure for war expenditure in the neighbourhood of 3,200 millions.

	(£ millions)					
Year	Navy	Army, etc.*	Air	Total Armed Forces	Civil Defence	Grand Total
1935-36 net expend.	64.0	44.6	27.5	137.0	...	137.0
1936-37	81.0	55.0	50.0	186.0	0.7	186.7
1937-38	101.9	79.0	81.8	262.7	3.4	266.1
1938-39 Exch. issues	126.8	121.4	133.8	382.0	17.8	399.8
1939-40	147.4	272.6	248.1	668.1	64.8	732.9†
Vote of Credit	...	...	...	...	...	408.5†

* Including Ordnance, or (1939-40) Mln. v of Supply.

TABLE 10.—CIVIL AND REVENUE DEPARTMENTS NET EXPENDITURE† EXCLUDING CIVIL DEFENCE

This table gives estimates of purely civil expenditure for 1940-41 and 1941-42, compared with the amounts actually spent in the two previous years. The chief change in the estimates compared with the amounts spent is in the pensions item. This is due to the taking over by the State from the public assistance authorities of the responsibility for supplementary pensions to needy

pensioners. The change came into force last August. The fall in unemployment is responsible for the only other big change, which is in the reduction in the estimate for unemployment assistance in 1941-42.

	(£ thousands)			
Votes	1938-39	1939-40	1940-41 Est.	1941-42 Est.
I.—Central Government and Finance ...	2,413	3,225	3,612	2,358
of which : Secret Service.....	419	988	1,500	
II.—Foreign and Imperial	11,727	16,638	15,707	12,412
of which : F.O., Diplom., and Consular	1,907	2,510	2,579	3,444
Colonial and Middle-Eastern	4,535	6,053	7,784	5,323
India and Burma	2,109	5,106	2,116	2,181
III.—Home Dept., Law and Justice.....	18,871	21,143	19,803	20,284
of which : Police and Prisons	15,407	16,830	15,985	16,005
IV.—Education, Museums, etc. (exc. B.B.C.)	61,483	63,124	63,517	66,222
of which : Board and Dept. of Education	58,530	60,116	60,832	63,418
Universities and Colleges	2,262	2,266	2,040	2,149
V.—Health, Labour and Insurance	167,184	158,157	179,541	185,768
viz., Housing Grants	17,703	18,411	17,978	18,013
Health Insurance and misc.	9,203	10,536	10,867	11,708
<i>Total, Health and Housing, etc.</i>	<i>24,349</i>	<i>29,947</i>	<i>28,775</i>	<i>29,721</i>
Ministry of Labour	24,349	25,224	26,722	29,160
Unemployment Assistance	39,635	32,210	30,035	19,560
Special Areas, and other labour items	11,427	3,904	64,304	3,964
<i>Total, Labour</i>	<i>75,411</i>	<i>61,339</i>	<i>63,161</i>	<i>53,584</i>
Old Age Pensions	47,867	48,347	49,865	50,716
Contributory Old Age, etc., Pensions	17,000	10,625	20,550	21,525
Supplementary Pensions			17,250	31,120
<i>Total, Pensions</i>	<i>64,867</i>	<i>67,872</i>	<i>87,665</i>	<i>103,361</i>
VI.—Trade and Industry	39,583	41,984	29,743	23,089
of which : Agric., Livestock, and Fisheries	12,291	19,745	8,091	6,072
Roads	21,924	16,452	16,390	10,738
VII.—Common Services (Works, etc.)	12,696	16,700	14,420	14,850
VIII.—War Pensions, Superannuation, etc.	42,753	41,776	41,574	40,956
of which : Min. of Pensions	39,160	38,159	37,620	37,008
IX.—Block Grants to Local Authorities	54,222	54,134	53,284	52,794
Total, Civil Departments (exc. B.B.C.)	410,932	418,879	421,201	418,731
Inland Revenue	8,125	8,324	8,649	8,708
<i>Customs and Excise</i>	<i>5,967</i>	<i>6,030</i>	<i>6,270</i>	<i>6,515</i>
Total Civil, Revenue and Roads	425,024	431,233	436,120	434,952
Post Office	75,139	79,929	81,722	83,748
	3,652	3,760	4,700	5,600

TABLE 12.—THE COST OF SOCIAL SERVICES

The latest available figures for expenditure on public social services by central and local authorities appeared in *Hansard* of February 5th, from which the following table has been compiled. The expenditure figures include payments out of taxes and rates, and also contributions by the persons benefiting in the case of the contributory schemes. Many persons shown in the second column as receiving benefits do so under two or more of the Acts mentioned in the first column and are, therefore, accounted for more than once.

Service	Great Britain		Total number of persons directly benefiting from the expenditure	
	1937-38	1938-39	1937-38	1938-39
Unemployment Insurance and Assistance Acts:—	£'000	£'000		
Unemployment benefit (a) ...	45,489	64,328	13,907,000*	14,352,000*
Unemployment allowances ...	41,405	39,643	19,086,000*	19,086,000*
National Health Insurance Acts ...	39,937†	40,554†	21,127,000*	21,446,300*
Old Age Pensions Acts (b) ...	92,938	96,195	4,175,000	4,293,000
War Pensions Acts, etc. ...	34,358	37,460	855,850	830,050
Education Acts ...	119,234	122,398	8,014,330	8,005,551
Public Health Acts (c) ...	21,645	25,005	Not available	Not available
Housing Acts ...	45,133	47,683		
Relief of the Poor Acts ...	47,478	47,595	1,843,320	1,432,624
Other (d) ...	8,926	10,003	Not available	Not available
	500,513	530,954		

* Numbers given are of insured persons. † Calendar years 1938 and 1939 respectively. (a) Including agricultural scheme. (b) Including Contributory Pensions Acts. (c) Relating to hospitals and to treatment of diseases, and to maternity and child welfare work and midwives. (d) i.e. Physical Training and Recreation Act, Approved Schools Act, and Lunacy and Mental Deficiency Acts.

TABLE 13.—FINANCING EXPENDITURE

The following table gives a summary of the Exchequer returns for the financial year 1940-41, and shows the respective shares of revenue and borrowing in meeting the total expenditure. It will be noted that the difference, amounting to £2,684 millions, between ordinary revenue on the one hand, and total expenditure (including sinking funds and repayment of debt) and miscellaneous issues, etc., on the other, was met as to £1,320 millions by borrowing from the public, £1,329 millions by borrowing from the money market, and £35 millions by "other debt."

(£'000)		(£'000)	
Total ordinary expenditure	3,867,246	Total ordinary revenue	1,408,867
New sinking funds	17,043	Loans raised	203,234
Loans repaid	—	3% War Loan	76,125
44% Conversion Loan	104,440	3% Def. Loan 1934-38	189,641
1% Treasury Bonds	99,350	3% Defence Bonds	88,545
National Savings Bonds	119	2% Savings Bonds	443,707
Miscellaneous issues (net)	4,250	2% National War Bonds 1945-47	148,300
Increase in balances	232	2% National War Bonds 1948-48	170,800
		National Savings Certs. (net)	34,698
		"Other debt" (net)	789,102
		Floating debt (net) —	
		Treasury Bills	—
		Tap	—
		Tender	—
		Ways and Means	—
		Advances	—
		Public Departments	110,770
		Bank of England	420,500
		Treasury deposits	4,093,289
			4,093,289

The items shown as net are given after allowing for repayments and receipts.

National Debt

TABLE 14.—NOMINAL VALUE OF NATIONAL DEBT AT MARCH 31ST

(£ millions)

	1923	1937	1938	1939	1940
INTERNAL DEBT					
FUNDED DEBT:—					
Pre-war Funded Debt*	314.2	313.3	313.3	313.2	313.3
3½% Conversion Loan	683.6	739.4	739.4	739.4	739.3
3½% Consolidated Loan	—	400.7	400.7	400.7	400.7
3½% War Loan	—	1,911.5	1,911.4	1,911.3	1,911.2
Total Funded Debt	997.8	3,364.9	3,364.8	3,364.6	3,364.4
TERMINABLE ANNUITIES	13.7	12.1	12.5	13.5	14.6
INTERNAL UNFUNDED DEBT:—					
(a) Other than Floating Debt:—					
2½% Conversion Loan	—	206.6	206.5	206.5	206.5
3% Conversion Loan	—	301.8	301.8	301.8	301.8
Old War Loans, Bonds, etc.	3,274.2	—	—	—	—
2½% Funding Loan	—	200.3	200.2	200.3	200.2
2½% Funding Loan	—	100.6	100.6	100.6	100.6
3% Funding Loan	—	145.6	143.8	141.9	139.9
4% Funding Loan	400.4	354.0	350.2	346.0	341.7
4½% Conversion Loan	—	385.9	383.4	352.8	350.3
4½% Conversion Loan	—	322.8	322.8	322.8	322.8
5% Conversion Loan	353.9	316.9	313.4	309.8	306.0
4% Victory Bonds	—	100.2	100.2	100.2	100.2
2½% Nat. Defence Bonds	—	—	—	81.2	81.2
3% Nat. Defence Loan	—	—	—	99.2	99.2
3% War Loan	—	—	—	—	60.1
3% Defence Bonds	411.0	100.0	100.0	100.0	100.0
Treasury Bonds	353.8	1394.3	1389.6	1384.9	1433.9
Savings Certificates	—	—	—	—	—
Total of (a) (plus other debt)	4,795.3	2,808.8	2,892.5	2,948.8	3,146.0
(b) Floating Debt:—					
Treasury Bills	616.0	674.6	823.7	892.4	1,427.7
Ways and Means Advances:—					
By Public Depts.	193.9	23.5	13.1	27.9	61.5
By Bank of England	—	—	—	—	—
Total Floating Debt	809.9	698.1	841.8	920.3	1,489.2
Total Internal Unfunded Debt	5,605.2	3,506.9	3,734.3	3,869.1	4,635.2
TOTAL INTERNAL DEBT	6,616.7	6,883.9	7,111.6	7,247.3	8,014.4
EXTERNAL DEBT	1,155.7	1,032.6	1,032.5	1,032.4	1,032.4
TOTAL DEAD-WEIGHT DEBT	7,772.4	7,916.5	8,144.1	8,279.7	9,046.8
Funding Loan and Vic. Bds. held by Nat. Debt Commissioners	30.2	119.3	118.0	116.5	115.2
NET TOTAL DEAD-WEIGHT DEBT	7,742.2	7,797.2	8,026.1	8,163.2	8,931.6

* 2½% (consols 2½ and 2½) Annuities, and Debts to Banks. † Includes National Savings Bonds (now about £3.4 millions).

TABLE 15.—NET INDEBTEDNESS OF THE STATE

This table gives the net total of the internal debt after allowing for the accrued interest on national savings certificates, which is not included in the figure of principal given in the previous table, and after deducting Exchequer balances at the Banks of England and Ireland at the end of the financial year and the State's estimated assets. The largest single item of the latter total is the £575 millions of the Exchange Equalisation Account; it also includes the Suez Canal shares (£32 millions); India and Burma—outstanding liability for 5 per cent War Loan (£16.7 millions); Land Settlement loans outstanding (£13 millions); issues to Czechoslovakia (£6 millions); and other items.

(£ millions)				
	March 31, 1937	March 31, 1938	March 31, 1939	March 31, 1940
Net total deadweight (as opp.)	7,797.2	8,026.1	8,163.2	8,931.6
Deduct external debt	1,032.6	1,032.5	1,032.4	1,032.4
Add accrued interest on saving certificates	6,764.6	6,993.6	7,130.8	7,899.2
Deduct estimated assets	124.0	130.9	137.4	143.2
Deduct Exchequer balances	6,888.9	7,124.5	7,268.2	8,042.4
	2.7	669.1	658.5	669.0
Net total	6,386.2	6,453.0	6,609.7	7,372.8
		2.4	2.5	2.4

TABLE 16.—COST OF THE NATIONAL DEBT, 1918-41.

(£ millions)			
Financial Year	Net nominal total of Deadweight Debt outstanding at end of Financial Year	Interest Management, etc.	Col. (2) as % of col. (1)
1913-14	649.8*	19.3	2.97
1934-35	7,800.4	211.7	2.71
1935-36	7,795.8	211.6	2.71
1936-37	7,797.2	210.9	2.70
1937-38	8,026.1	216.2	2.69
1938-39	8,163.2	216.8	2.66
1939-40	8,931.6	222.8	2.50
1940-41	11,400†	213.0	1.87

* Debt at beginning of year. † Provisional estimate including reduction in debt effected by sinking funds.

(Continued from page 437)

Treasury for munitions thus transferred, and though the liability is not to be discharged in money, it is valued in money. A very strict accountant might argue that the proper course for the Chancellor to pursue would be to enter on the expenditure side of his accounts a suspense fund to which could be paid the sterling equivalent of the dollar items entered in Washington. By this means the full cost of the war would appear in the British Budget, even though part of it was only a contingent liability.

The choice between these two methods will make a very big difference to the expenditure estimates that the Chancellor makes next week. The difference is not, however, likely to be as much as the £1,750 millions that Congress has just appropriated. An American appropriation is something very different from a British estimate; the probability is that the £1,750 millions includes items of a capital nature that would not be charged up to Great Britain; other nations share in the benefits of the Act; and the appropriation is for a period of fifteen months at least. It will not be legitimate to take the Chancellor's estimate for expenditure at home, to add £1,750 millions on to this and proclaim the total as the measure of the armaments to be available in twelve months.

The figure that the Chancellor puts on the total of expenditure, other than leased-and-lent munitions, will determine the nature of the Budget. Total expenditure in the last three months has been at the rate of over £4,800 millions; in the first three weeks of March (excluding the heavy payments in the last days of the year) it was running at the rate of over £5,300 millions. How much of these figures represented the purchase of goods that will now come under Lease-and-Lend arrangements it is, of course, impossible for the outsider to say, but a rate of £800 millions a year would seem to be a very generous estimate for British expenditure in the United States in the three months just elapsed. If so, the current rate of expenditure *ex* Lease-and-Lend—that is, the probable basis of next year's expenditure figures—can hardly be put much below £4,000 millions. How much of an increase above the current rate must be allowed for the whole of the year just beginning is another matter on which the layman has little guidance to help him; but the figure of £4,500 millions for 1941-42 which has already appeared in *The Economist* begins to look like the reverse of an over-statement. It has been the consistent policy both of Lord Simon and of Sir Kingsley Wood to underestimate the probable expenditure, and the Chancellor may well choose to plan his Budget on a lower figure.

But by this time the House of Commons and the public have learned to add several hundreds of millions to any Budget estimate of expenditure.

The other controversial figure that dominates current discussion will not appear in the Budget accounts at all. This is the so-called "gap," the excess of expenditure over the sum of revenue, drafts on external capital and "genuine" domestic savings. If expenditure is £4,500 millions and revenue, on the basis of the existing taxes, is £1,700 millions at most (a very generous figure), the deficit will be £2,800 millions. It has been suggested in *The Economist* that, in this case, the "gap" may be as much as £1,600 to £1,800 millions. The Lord Chancellor has already indicated that the Treasury considers this figure to be too high, but that there is a "gap" of some size can hardly be denied, nor can the duty of closing it as far as possible be evaded. This is the justification for the changes in taxation that the Chancellor is expected to announce. The extension of surtax to cover all incomes over £1,500—instead of the present limit of £2,000—which was provided for twelve months ago will come into force in the course of the year. Some change in EPT, in answer to the striking unanimity of dislike for the present arrangements (which are criticised in detail in an article on page 450), is also a fairly safe prophecy. Beyond that, all is guess-work—until next week. It has been suggested in these columns that the two best means of raising substantial sums would be an Excise duty on services and a new flat-rate tax on all but the smallest incomes, but if the Chancellor has been thinking along these lines, no hint of it has leaked out. These would be attempts to bring in sums to be measured in nine figures; but there is a very wide range of smaller items from which the Chancellor may make his choice. The stamp duties have not been touched for some years. There is a case—strong at any time, but stronger than ever at present—for a duty on advertisements. The private motorist could pay more for his petrol—though the motor transport industry hardly could. Some of the Customs and Excise duties could bear still further increases. And—if the Chancellor rejects the proposal of a reformed income tax designed to fall more heavily on the middle incomes which now bear the lightest burden—there is always the possibility of an increase in the standard rate of income tax. Wherever his choice may light, it is to be hoped that the Chancellor will not stay his hand because of any lingering doubt whether heavier tax burdens would be accepted. No War Budget yet has come up to the taxpayer's apprehensions—or his willingness to pay.

Local Finance

TABLE 17.—LOCAL AUTHORITIES FINANCE

(£ millions)

England and Wales		1934-35	1935-36	1936-37	1937-38
INCOME*					
Total on Revenue Acc.*	481.4	481.2	503.1	517.7	
Of which rates	154.8	164.9	172.8	177.3	
Of which grants	125.0	132.9	135.6	136.1	
Receipts from loans	64.8	82.3	101.1	122.7	
EXPENDITURE*					
Total on Revenue Acc.	454.8	470.9	484.6	506.6	
Of which loan charges	101.0	100.2	100.7	103.7	
Total on Capital Acc.	86.6	96.8	116.8	142.1	
Of which sinking funds†	8.0	9.0	11.1	12.1	
Rateable value at start	285.3	293.6	298.5	304.0	
Gross loan debt at end	1,421.5	1,451.3	1,481.0	1,521.0	
Of which education	76.4	79.0	74.5	82.2	
Sewers, etc.	79.3	81.6	79.8	82.3	
Housing and Water	499.4	551.6	568.9	600.9	
Trading and Water	472.3	475.7	484.5	490.1	
Others	301.1	283.4	278.8	265.5	
Stock in sinking funds, etc.	90.9	98.7	81.4	54.5	

* Including Trading Services. † Including Repayments.

TABLE 18.—LOCAL GOVERNMENT EXPENDITURE (£ millions)

Purpose	1936-37			1937-38		
	Revenue Acc.		Cap. Acc.	Revenue Acc.		Cap. Acc.
	Total	Loan ch.†		Total	Loan ch.†	
Rate fund services	381.8	64.2	90.8	374.1	66.4	110.8
of which:—						
Education	95.0	6.1	8.5	98.0	6.4	11.0
Public health	68.7	11.4	14.7	75.1	11.9	17.8
Housing schemes	40.3	32.1	44.8	41.0	32.9	53.7
Poor relief	37.2	0.6	1.2	34.3	0.6	1.5
Police	24.6	0.2	1.0	25.3	0.3	1.2
Streets	50.1	0.2	10.8	49.0	0.3	18.1
Trading Services:	133.0	35.7	34.0	141.9	36.7	40.0
of which:—						
Water	21.8	0.7	6.1	22.7	0.9	6.6
Electricity	48.4	14.4	10.5	53.1	15.4	21.5
Gas	17.2	2.5	2.1	18.0	2.6	3.6
Transport	23.2	3.0	2.0	24.6	2.8	4.0
Special Funds	28.9	...	...	27.6	...	...
of which:—						
Sinking funds	17.9	...	...	15.9	...	...

* Including mental treatment. † Loan charges, included in total on Revenue Account. ‡ Plus general corporation rates.

NOTES OF THE WEEK

Victory in the Mediterranean

Mr. Matsuoka's Axis visits have been fantastically ill-timed. He left Hitler and his Balkan "new order" in sorry disarray in Berlin and arrived in Rome in time to learn of the Duce's disasters in *mare nostrum*. The chronicle of Italy's defeats is losing any element of novelty, but the extent of the latest disaster—the destruction off Cape Matapan of four cruisers and three destroyers and severe damage to a battleship, two more cruisers and a destroyer, without casualty or scratch inflicted on Admiral Cunningham's forces and with the loss of only one aircraft—distinguishes it even from Taranto. It is as total a defeat as has yet been inflicted in this total war. The success of British aircraft against the *Vittorio Veneto*, Italy's most modern 35,000-ton battleship, may be held to confirm Italy's confident thesis that aircraft have revolutionised modern naval warfare. However, the contest was not sufficiently balanced to draw absolute conclusions. The Italians did not intend to give fight. To that extent, the action was not a full-dress naval engagement. Yet one factor does emerge. No modern fleet can avoid courting disaster if it lacks an air arm. Aircraft carriers may be cumbersome and offer an easy target, but their planes play an essential part in locating the position of enemy forces. Italy's whole strategy—admittedly one of flight—was nullified by her ignorance of the position of the British fleet. At the same time, the British fleet air arm was able to achieve a neat piece of co-ordination by reducing the *Vittorio Veneto*'s escaping speed from 30 to 15 knots, and thus enabling the British fleet to catch up with the crippled battleship and its attendant cruisers and destroyers. Their fate within short range of the heavy guns of the three British battleships was a tragic commentary on the Fascist dream of empire. With one volley, millions of lire extorted from an impoverished people went blazing to the bottom. And with their savings went their sons—"not," in Admiral Cunningham's words, "a very pleasant spectacle."

* * *

After Matapan

In estimating the consequences of the battle of Matapan it is important to remember that the whole Italian fleet has *not* been destroyed. If the recorded losses are set against the Italian fleet of June, 1940, probably 112 destroyers and motor torpedo boats, 4 large cruisers mounting 8-in guns, 10 smaller cruisers with 6-in guns and 92 submarines are still intact. Two battleships of the Cavour class probably remain in action, while two have been heavily damaged. The fate of the modern Littorio 35,000 tons class is uncertain. In this class, two were unfinished in May, 1940, and it is not known whether they are in service yet. One was torpedoed at Taranto and probably disabled. The *Swordfish* aircraft torpedoed another on November 27th and the *Vittorio Veneto* was crippled at Matapan, but either the *Veneto* or a sister ship may have been attacked twice, and a remaining four in this class is therefore an uncertain estimate. Numbers, however, are no guide to the offensive spirit of the Italian Navy. The Italians themselves probably do not want to fight, but the possibility that Germany is preparing to play a direct part is suggested by the presence of German officers and engineers among the survivors of Matapan. But whether or not Germany chooses to take over the Italian fleet, Great Britain's superiority is established, the lines of communication with Greece are assured and Sir Andrew Cunningham has units to spare for other duties. At the other end of the Mediterranean, Admiral Darlan has chosen to challenge the British blockade with the fire of his shore batteries. The wish to call Vichy's bluff can, since Matapan, be matched by the ability to do so. The chaotic distribution of the French fleet—with some units operating with the British, and others disabled at Oran and Dakar, still others immobilised at Alexandria and Martinique—makes a calculation of Admiral Darlan's effective strength in the Mediterranean impossible. But even the most favourable interpretation does not suggest a force sufficient to challenge the weight and experience of Admiral Cunningham's forces.

The Atlantic Struggle

In the week ended March 23rd, 59,141 tons of British, Allied and neutral shipping were sunk by enemy action. It was widely believed that the German spring offensive started late in February when, in the week ended March 2nd, 141,000 tons were lost, and it has been a relief that sinkings have since remained well below that figure. The totals announced each week are, of course, provisional, and may be revised up or down. The fate of many ships may not be known until they are long overdue in port, or until attempts to salvage or repair them have failed; other ships may turn up after they have been written off as lost. The following table shows the original announcements and subsequent amendments since the beginning of the year:—

Week ended	Original Figure 000 gross tons	After Subsequent Amendments 000 gross tons	Week ended	Original Figure 000 gross tons	After Subsequent Amendments 000 gross tons
Jan. 5	15	15	Feb. 16	38	54
" 12	30	30	" 23	61	69
" 19	58	120	Mar. 2	148	141
" 26	34	34	" 9	99	99
Feb. 2	57	80	" 16	72	95
" 9	30	33	" 23	59	...

The most important revisions have been upwards; the weeks of January 19th, February 2nd and March 16th are striking examples. Not a few ships are damaged, but not sunk. Mr. Bevin has appealed for a speed-up of 30 per cent in ship repairing. A ship damaged is not a ship lost; but it is a ship out of action for some time; and if it does not make a home port, it is a cargo undelivered. It can still be said that the rate of loss shows no sign of a "break-through" by the enemy. Nevertheless it is gravely high, and cannot go on undiminished without serious hindrance to the war effort—quite apart from the loss of actual tonnage. It is the flow of imports that counts, and it would be a pity, perhaps, if the welcome news of measures to supplement the total tonnage available were to obscure the fact that the criterion of success or failure in the Battle of the Atlantic is the arrival, week by week, of ships and cargoes.

* * *

Sunday Theatres

Only one of the many Orders issued under the Emergency Powers (Defence) Acts can fairly be said to have aimed at an increase in the liberties of the subject. And this is the only one that has been annulled by an adverse vote of the House of Commons. This was the remarkable result of the vote taken on Tuesday on the question of the opening of theatres and music-halls on Sundays. The Home Secretary's Order might have been considered harmless enough; it merely empowered local authorities, if they saw fit, to license theatres to open on Sundays and simplified the procedure for opening cinemas. If the Government believed, as Mr. Morrison said they did, that the Order was right and that it would help to keep the people cheerful and happy, "a factor which will materially help in the prosecution of the war," they should have put the Whips on. But the vote was left free, with the result that less than half the House took part in the division; 144 members voted against the Order and 136 for it. The division lists are worth a close examination. Of the 144 members of the majority, the ages of 108 are given in "Who's Who" and average 59 years; more than half are over 60. Another peculiarity is apparent: of the members sitting for English constituencies who voted in the majority, roughly three-quarters were Conservatives, and of these again about three-quarters sit for country constituencies or boast the recreations of a country gentleman, whereas of the members for Scottish, Welsh and Irish constituencies two-thirds came from what was until last year the Opposition. This chance majority was, in fact, made up of the more elderly and leisured representatives of the English squirearchy and of the Scottish, Welsh and Irish Nonconformists. The arguments made by the majority were the usual mixture of apocalyptic nonsense and special pleading. No member made any convincing attempt to explain how the Sabbath is better kept by compelling the soldier or workman to spend his leisure on the streets or in the pub than by letting him go to a

theatre or cinema. None tried to show how it could be reconciled with democratic practice for those who do not want to go to the theatre on Sundays to stop those who do. On the whole it was a disgraceful exhibition and the best possible argument for dissolving the 1935 Parliament at the earliest convenient moment.

* * *

Darlan's Challenge

It is clear that the claim of unoccupied France to preferential treatment is rapidly becoming completely inadmissible. The duplicity and provocation of Vichy's attitude have been well illustrated in the events of the last weeks, which culminated last Sunday in a French attack on British warships off the coast of Algeria. It hardly needs repeating that sixty per cent or more of the goods arriving at Marseilles are requisitioned by Axis commissioners, and Admiral Darlan's recent boast that French trade is normal again and that goods are arriving from every part of the French Empire means in fact that the French merchant navy is bringing in vital supplies to Germany from every quarter of the globe. It is sometimes forgotten in England that over a quarter of a million tons of British and Allied shipping has lain since June in French harbours. It follows that the merchant fleet of which Admiral Darlan boasts is in part forfeit to Britain until the tonnage is handed back. Nor is Franco-German collaboration a question of the sea only. Vichy's system of land communications is also acting as a feeder of the Reich. In the first three months of 1941 alone 45,000 tons of lead, 30,000 tons of bauxite, 10,000 tons of aluminium, 30,000 tons of wool, apart from cereals, fodder and fruit, went from Vichy France to Germany. With these facts in mind British naval authorities intercepted four French merchantmen which were known to be carrying war supplies, including rubber, and were being convoyed by a French destroyer through the Straits. The convoy used Spanish territorial waters to pass Gibraltar, and when on their leaving protected waters the British ships approached, French shore batteries on the Algerian coast opened fire. In a commendable but perhaps mistaken desire to avoid hostilities, the British forces, while returning the fire of the shore batteries, did not fire on the merchantmen and allowed them to reach the Algerian port of Nemours. The issue is perfectly clear. Britain's belligerent rights entitle her to the right of search, and under international law the French merchantmen should have submitted to it. But by their action and by using Spanish territorial waters to avoid the contraband control at Gibraltar, they proved both that they were evading the law and were ready to challenge British rights.

* * *

The Future of the Blockade

Admiral Darlan's challenge raises, in an acute form, the whole question of the blockade. Hitherto the official policy of the British Government has been that of total blockade. Even the two food ships conceded to American public opinion were declared to be an exception. Now—as was to be expected—this concession has produced more effrontery and more open provocation. The British Government has therefore only three courses open to it—either to agree with Vichy that unoccupied France is genuinely neutral and continue an ineffectual blockade or to admit that a total blockade cannot be enforced, or fully to enforce the blockade. The first course can no longer be pursued. Admiral Darlan's open willingness to collaborate with Germany and his threat to do so with force if necessary must put an end to the policy of drift which has characterised the working of the blockade in recent months. The choice is therefore between enforcing a total blockade and admitting that a total blockade is no longer the policy of the Ministry of Economic Warfare. Obviously there are dangers in a course of total enforcement. It is not in Britain's interests to see the Italian naval losses made good by France. Yet it is certain that the most bellicose interpretation must be read into Admiral Darlan's threats? It is possible that his truculence is designed to reassure the Germans rather than to frighten the British. Nor is it certain that a people who fought so unwillingly against the Germans can now be drawn into hostilities on Germany's side against their former ally. If, however, in spite of the added strength given to the British Mediterranean forces by the victory of Matapan, and in spite of the undoubted sympathy of the great majority of the French people for the Allied cause, the British authorities decide to abandon the policy of total blockade, it is essential that the extent

of the break with past practice and the gravity of the decision should be brought home to the British public. It is a time-honoured custom that those Ministers who are most fully identified with a particular policy should, when that policy is abandoned against their better judgment, mark their disagreement by resignation. No one has more keenly upheld and widely extolled the full working of the blockade than the present Minister of Economic Warfare. Dr. Dalton was also one of Mr. Cross's keenest critics in the early days of the blockade. If the total blockade is to be abandoned, it will be within his power, by making the appropriate parliamentary gesture, to put the gravity of the issue before the country.

* * *

Germans in Morocco

Some of the clearest evidence of Admiral Darlan's complicity in Germany's war strategy against Great Britain is to be found not in Metropolitan France but in the North and West African Colonies. Germany's policy in Morocco has obviously been worked out with great skill, and the Germans have been careful not to compromise their plans by precipitate action. In the first months after the French collapse, while the authority and prestige of Marshal Pétain in France and of Generals Weygand and Noguès in Africa were at their greatest, the Axis Powers behaved with restraint. An Italian Disarmament Commission did tour the country, but its demands were moderate. Neither Germany nor Italy wished at that time to do anything to compromise the Vichy regime, since its authority was Germany's best bulwark against the rising tide of sympathy for Free France. Any step which had, at that time, suggested friction between Vichy and Berlin or pressure on Marshal Pétain might well have caused General Weygand and General Noguès to put an end to their mood of inertia and indecision, bred of the French collapse, and declare themselves for further resistance. This phase came to an end with the Italian disasters at the turn of the year and the coming to power of the ambitious, anglophobe Darlan administration. The Admiral had already given two of his creatures, Admirals Esteven and Abrial, office in North Africa, and their readiness for Axis co-operation nullified the hesitations of the Generals. In January, the Italian Disarmament Commission, rendered ineffective by Taranto and the Wavell campaigns, was replaced by a new German Commission under Herr Auer, whose task was officially described—with the assent of Vichy—to be that of controlling the "administrative, economic, and political life of the Moroccan Protectorate in all matters directly or indirectly related to the war and the armistice." These functions have been interpreted in the widest sense, and cover both official and widespread underground activity. Officially and with the connivance of the cowed French authorities, the Germans have requisitioned military supplies, oil, raw materials; they have occupied the airfields, and are prospecting for others; they have established control stations at Port Lyautey, Meknes, Marrakesh, and Agadir; and the Commission itself occupies four large hotels at Casablanca. Any protests from patriotic officials on the spot are quashed at Vichy. At the same time, trained German

Export
and
Import
Banking
on
Sweden

SKANDINAVISKA BANKEN

THE WORLD OVERSEAS

The Passing of Lease and Lend

(From Our Washington Correspondent)

March 13th

IN the debate in Congress on the Lease and Lend Bill, the Administration employed for the second time the strategy adopted by the President after his election last November. The campaign had made clear the preference of the majority in the nation for the party which voters believed would carry forward the more vigorous policy with regard to the war. There was a general belief that the President would therefore take immediate action after November 5th. At the time when both friends and enemies expected action, the President went to the Caribbean, and December was well into the calendar when he got back. On his return, popular impatience was such that the right to petition was being used freely. Crucial executive orders were then released.

The Lease and Lend Bill was before Congress fifty-eight days. At the hearings, witnesses from Lindbergh to Willkie were summoned to give both sides of the picture. But in the debate, especially in the Senate, the speeches of the Bill's proponents were short. Senators Wheeler, Nye, Johnson, Holman and Clark, who spoke hour after hour, had the floor to themselves—and not only the floor but most of the seats. Again, public sentiment accumulated on the outside. True, there were news-making descents on Washington; for instance, by the members of the Mothers' Crusade, who staged a sit-down picket before the office of war-favouring Senator Glass—and were rewarded with the comment that their conduct was indeed fishwifely. And there were floods of telegrams and letters against the Bill that set in motion the perennial cycle of tracing them back to their alleged senders and discovering what proportion were genuine, and what proportion had been prepared with the aid of the telephone book.

But all the time everyone knew that a large proportion of both the country and Congress favoured the Bill. Slogans appeared to the effect that "While Wheeler is taking the floor, Hitler is taking Bulgaria." As the hours of speechmaking lengthened, the factory origin of the speeches became increasingly clear; various columnists and journals hazarded identification of trade-marks, citing parallel anti-Semitic and anti-British paragraphs by Nazi spokesmen. Cartoons showed the Fuehrer warmly commending the isolationists. At last, Senator Wheeler said: "The Administration has the votes to put through the Bill and I see no reason why we should prolong the debate." The roll-call gave the Administration two to one.

The similarity of strategy in the two cases seems to indicate a belief on the part of the President that time lost when major decisions are made is time gained for the execution of those decisions, owing to the solidifying of public opinion in advance of the act. It will take the next few months to show whether or not that judgment has been correct. (A hint that the President may have been right were the statements of Senators Vandenberg and Wiley on the morrow of the vote, in which they

emphasised that all but a mere half-dozen Senators were heartily in favour of giving aid to Britain; that the subject recently under discussion was not the giving of aid but the form in which aid should be given.)

Isolationisms

Meanwhile, it is possible to list several current results of the debate. There are varieties of isolationism. Some of the isolationism current in the country has nothing to do with the issue—it is merely one manifestation of antagonism to Roosevelt on the part of those Republicans to whom the New Deal is the enemy—those Republicans whom Mr Willkie attempted to read out of their own party in his Lincoln Day speech on the obligation of the Opposition to supply criticism that is constructive as well as critical.

Distinguishable from this is the isolationism of the generation that gave the concept its name; whose members have dominated our legislative attitude on foreign affairs for the two decades since, by a margin of seven votes, they prevented ratification of the League in 1920. Theirs is a long record: from the defeat of the League, through the Kellogg Pact and the defeat of the Court, to the Johnson Act and the neutrality legislation of recent years. The revision of the neutrality legislation in 1939 was a preliminary indication that present world forces cannot be treated by the application of neat verbal patterns. The proposal for a \$2,000 millions credit, which the younger opposition through Senator Taft attempted to substitute for the Lease and Lend Bill, would have amounted to a repeal of the Johnson Act. With all the hours at their disposal, the traditional isolationists could not make a case. Almost certainly, the debate did permanent damage to their long negation.

Apart from what it did to isolationist prestige, the debate served to raise for preliminary discussion a number of further questions. Administration spokesmen presented the Lease and Lend Bill as a means of keeping the United States out of the military phases of the war. Their case was made along some such lines as these: this Bill enables the country to serve effectively as the arsenal of democracy; Hitler's way of life and the democratic way are incompatible; the British are fighting Hitler; in upholding Britain we help to maintain democracy, and we keep from our shores a war that would otherwise shortly be brought here.

A main thesis of the Administration has, therefore, been that this is a measure to keep us out of war. The Opposition, on the other hand, has insisted that passage of the Bill means war. As a result, the debate has given the country an opportunity not specifically provided by the Bill to consider whether we mean aid to Britain short of war or aid to Britain short of nothing.

The amendments proposed at various stages of the debate likewise brought up points of future agenda. Amendments were offered: to restrict the disposition of American armed forces to the western hemisphere and thereby prevent the sending of a future AEF; to limit the amount of naval material to be transferred; to forbid the use of American convoys. These amendments were all defeated, on the ground that to pass them would increase the confidence of the dictators by indicating limited confidence in the President. It was pointed out that the Navy is unlikely to strip itself; that the current need of the democracies abroad is not man-power but material; that the President is on record against convoys. The Act as it stands, therefore, contains certain powers which the debate implied would not be used. This is a situation which will almost certainly require future clarification.

Meanwhile, the political machinery has been provided for production and transfer of war equipment on a scale commensurate with the requirements of total war. The next phases of the test are economic.

Balkan Communications

[BY A CORRESPONDENT]

March 31st

COMMUNICATIONS are a weakness of the Balkan economy even at the best of times. In wartime, on the peacetime load of this precarious transport system is superimposed the burden of an additional 40 per cent of exports, which is normally carried by sea, and, since last autumn, a constant stream of German military traffic—the two movements running in opposite directions. Railway traffic is the most important. Its general weakness throughout the Balkans is that, except for a few sections, all lines are single-tracked and, with their inadequate rolling-stock, exposed to congestion. The main international artery is the route of the Orient Express: Vienna-Budapest-Belgrade-Sofia-Istanbul. With its two branches—Belgrade-Salonika and Budapest-Bucharest-Constantza—the principal connecting link between Germany and South-East Europe, and the significance of the fact that two of the three main lines run through Yugoslavia should not be lost from view.



There exists no direct railway communication between Bulgaria and Greece, a gap of twenty miles separating the respective termini at Petrich and Vetren. Direct traffic between Roumania and Bulgaria must be ferried across the Danube between Giurgiu and Ruse.

In internal railway systems Yugoslavia is relatively best served, with railways which are supplemented by a river and canal system. On the other hand, communications with the Dalmatian coast are still inadequate and maintained mainly by narrow-gauge railway. The defects of the Roumanian railway system are largely of a more general order, such as insufficient co-ordination between the Old Kingdom and the other territories, bad repair of the lines and of rolling-stock. In Bulgaria, the network is very thin, its total length being about 2,000 miles, or one mile per 35 square miles of territory. Its direction weakness in the present situation is that the hinterland with its harbour outlets. There is only one main line running north-south: Ruschuk-Stara Zagora-Plodiv.

The road system follows in the main the railways. The most important is the transcontinental motor road running along the historic highway Belgrade-Sofia-Istanbul and parallel to the Orient Express route. From it a branch starts at Ederne and runs due south to Dedegatch and thence to Salonika. The main road from Bulgaria to Greece runs down the Struma valley; the

secondary roads, three in number, are unsuitable for heavy traffic. Yugoslavia and Greece are linked by two main roads; the principal road running Belgrade-Skoplje-Monastir-Florina-Salonika, and the Vardar road branching off from it south of Skoplje and leading similarly to Salonika.

The Danube Artery

A third important medium of transport, and one which has gained special significance for Germany during the war, is river traffic—in particular, transport on the Danube. Before the war, most of the bulky exports to Germany, especially oil, were sent on the much cheaper sea route. Now, shipping space for river traffic is short, which adds to the limitations imposed by nature. The Danube is navigable, on the average, only for nine months of the year and, from the bottleneck of the Iron Gate upwards, only for vessels not exceeding 650 tons. The scarcity of tonnage is particularly felt in tankers, of which the total Danube fleet in the summer of 1940 was stated by authoritative Roumanian sources to be 278 tons, with a capacity of 1.6 million barrels. Such a capacity could carry no more than one million tons a year, which includes shipments to other riverain countries, notably Yugoslavia. Germany has been making strenuous efforts to expand oil-carrying capacity on the Danube and some observers estimate that this may be doubled in the present year.

Another handicap of the Danube is its vulnerability. Traffic from Bulgaria and Roumania is dependent on a restricted number of ports, situated on the Lower Danube. On the Bulgarian side, the only Danube port of importance is Ruschuk, all the other ports lacking proper installations. Even the port of Ruschuk—which is, incidentally, an important railhead—has a limited capacity, its maximum peacetime traffic not exceeding 220,000 tons per year. Its counterpart on the Roumanian shore, Giurgiu, is Roumania's Danube oil port, connected by pipe-line with the oil region. Both this fact and its position on the principal line of communication between Roumania and Bulgaria, give it an outstanding significance. The other two principal Danube ports, Galatz and Braila, are situated on the "Maritime Danube," and their main function is normally the loading of sea-borne exports, Galatz for timber and Braila for cereals.

Of the Black Sea ports under German control, Constantza is by far the most important. It has good harbour installations, including oil tanks with a storage capacity of 250,000 tons, and, like Giurgiu, a pipe-line connection with the oil region. Varna, formerly an important grain port, has been neglected during recent years; but the Germans have been busy re-equipping it for unloading of Russian oil and other shipments.

Several points emerge. Perhaps the most significant is the fact that such commanding points in the Balkan communication system as Belgrade, Nish, Salonika, Ederne and Istanbul—to give only the most important—are outside German control. The communications on which Germany relies are not only sparse and overburdened, but present many vulnerable points. All these factors impose serious limitations on Germany, whether she intends to use the Balkans as war granaries or as operational bases, and it remains to be seen if they can be used as both at the same time.

Eire's Growing Supply Difficulties

[FROM OUR DUBLIN CORRESPONDENT]

March 28th

THE position in regard to the supply of wheat continues to give rise to a good deal of anxiety. The weather conditions have been unfavourable for sowing winter wheat, and an energetic campaign for spring sowing is being conducted. The success of the attempt to augment the output of wheat depends, to a great extent, upon the weather during the summer, but larger supplies of less sensitive crops, such as potatoes, will also be available. Meanwhile drastic steps are being taken to economise existing stocks. The extraction of flour has been

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 Dods, O.B.E., G. W. Spinney, General Managers

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

London Offices: 47 Threadneedle Street, E.C.2 (Edward Pope, Manager)
9 Waterloo Place, Pall Mall, S.W.1 (J. H. Pangman, Manager)
The Bank undertakes general banking business and with its numerous branches offers special facilities in Canada, Newfoundland and the United States.

increased to 95 per cent, sales of flour by millers have been restricted, the feeding of wheat and flour to livestock has been prohibited, and the sale of bread in hotels and restaurants has been severely rationed. In the existing conditions at sea it would be foolish to place much reliance on importing wheat, but steps are being taken to do all that is possible in this direction.

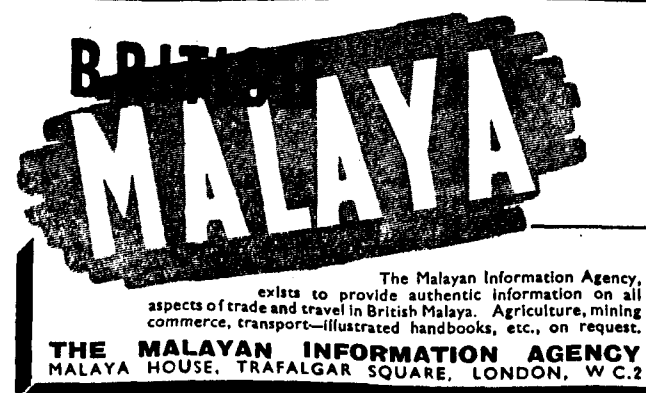
A company is being formed to acquire ships, by purchase or charter, and an Irish Minister has flown to the United States with the object of obtaining supplies. While these steps must be approved, it would be unwise to hope for too much as the result of the mere possession of ships. Indeed, members of the Government have, on several occasions, warned the public of the limitations of the benefits conferred by acquiring a mercantile marine. Assuming that ships could be purchased, their possession would not guarantee access to supplies of foodstuffs and raw materials which are urgently demanded by the belligerents. Even if cargoes could be obtained, there is no guarantee that they would reach Ireland in safety. Already nine Irish ships have perished in the war. If the ships were unarmed, they would be defenceless against attack, while to arm them would be to endanger the neutrality of Eire. The experience of Norway in the last war and of Sweden in this war proves that the possession of a mercantile marine does not enable a neutral country to maintain supplies in a period of widespread blockade.

A Central Bank

It has been announced that the Government is about to introduce a bill to establish a Central Bank. It is legitimate to assume that this bill will embody the recommendations of the Banking Commission which reported in 1938 in favour of such a bank. The main proposal of the Commission was that the functions of the Currency Commission should be extended in several directions. Great emphasis was laid on the need for constant consultation between the Government and the Central Bank on all matters of economic policy that might have monetary repercussions. It was also recommended that the new Central Bank should have power to rediscount certain narrowly defined types of domestic assets, but that Treasury bills should not be considered eligible for this purpose. The Commission refused to recommend that the commercial banks should be compelled to hold minimum reserves in the Central Bank or that the Government account should be transferred to the new bank from the Bank of Ireland.

Higher Army Estimates

The estimates for the coming financial year amount to £35,322,791. The original estimate for last year was £30,511,359, but supplementary estimates amounting to more than £4,000,000 were introduced during the year. The estimate for the Army is £8,313,328, which is an increase of £1,404,498 over the expenditure in the current year. It is useless to speculate how this huge expenditure will be financed. The yield of many taxes has been reduced by the war, and will be reduced still further unless conditions improve beyond all reasonable expectation. It is profoundly to be hoped that the Minister for Finance will not break the back of the direct taxpayer by raising income tax to the British level, which would cause additional unemployment. A retrospective excess profits tax might be worth considering, as a good deal of profiteering has taken place during the war, but the main reliance will have to be placed on borrowing. The national credit is still sound, and it is obviously a lesser evil to increase the public debt than to load the taxpayer with impossible burdens.



THE MALAYAN INFORMATION AGENCY
MALAYA HOUSE, TRAFALGAR SQUARE, LONDON, W.C.2

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.

Switzerland's Coal Shortage

[FROM OUR GENEVA CORRESPONDENT]

March 2nd.

THE Swiss winter is not yet ended, and coal for domestic heating is already scarce. Switzerland in normal times needs 350,000 truck loads of coal for her own consumption; 150,000 truck loads are required for heating, 100,000 for industry, and 70,000 for gas production. In normal years, nearly 53 per cent came from Germany, 16 per cent from France, 13 per cent from Holland, 7 per cent from Britain, 4 per cent from Belgium, and the remaining 7 per cent from Poland, U.S.A. and other countries. Since last winter, all sources of coal supplies—except Germany and Yugoslavia—were one after the other cut off, and Switzerland had to rely solely on German imports. These totalled 87,000 truck loads for 1940-41, and the deficit was about 180,000 truck loads, thanks to the stores accumulated during 1939 and the beginning of 1940. Measures were, therefore, taken last winter to cut down private coal consumption so as to enable the normal working of industry. The allowance of coal for heating was reduced to 60 per cent of normal needs; and home resources were used to the utmost, but electricity, wood and peat could not fill the gap. The result was that new restrictions were made for the present winter, when private houses were only allowed 40 per cent of normal consumption. December and January were abnormally cold; and although work-shops, offices and schools are closed on Saturdays, although school Christmas holidays were lengthened, and although heating was calculated to maintain a temperature of 60 deg. Fahrenheit at the highest in two rooms, and 45 deg. in the others, stocks dwindled rapidly and the Government made it clear that no further coal rations would be allowed. A small extra allowance was nevertheless made, but at the same time it was announced that heating would everywhere be stopped on March 15th.

Trade with Germany

According to an agreement concluded last autumn, Germany undertakes to deliver about one million tons of coal to Switzerland at a price higher by nearly 50 per cent than the current price in Germany. Part of it is to be paid in gold and another part in land products such as cattle, pigs, cheese and other dairy products. The agreement should to some extent ease the situation of cattle breeders, as, owing to the stoppage of fodder imports, the slaughtering of about one-third of the cows and of one-fifth of the pigs had been contemplated. German coal deliveries were fairly regular for some time, but in December they were stopped, and Swiss importers were informed that coal and coke deliveries would provisionally cease for an indefinite period unless the Swiss railways could place all the necessary rolling stock at Germany's disposal. The Swiss had hitherto supplied only a proportion of the necessary trucks and were reluctant to send more to Germany. They apparently complied with Germany's desire and supplied her with more rolling stock. Deliveries have begun again, but on a small scale, and if they cannot be increased there will be a shortage next winter, with the result that further restrictions will be necessary.

Dearth of coal is only one of the hardships the Swiss are suffering. At present, each person is entitled in a month to 24 oz. of flour, maize and semola, 16½ oz. of wheat and barley products, 26½ oz. of fat and oil, 24 oz. of sugar, 16½ oz. of rice, 16½ oz. of macaroni, 8 oz. of dried peas and beans, and 9½ oz. of butter; the sale of meat, fresh milk and cheese remains unrestricted.

A new and great effort is to be made to increase home production and to double the area under cultivation. The present 440,000 acres under cultivation enable the feeding of half the population, and it is estimated that another 300,000 or 400,000 acres may be added. Thanks to the increase in the cultivated area decided in 1939, the yield of agriculture, which was 1,289 million francs in 1939, rose to 1,491 millions in 1940, and it is expected to exceed 2,000 millions in 1941. The main difficulty is the lack of labour. The Government has consequently issued a decree enabling it to make land work compulsory for several classes of persons: the unemployed; persons who have no special activity but are physically fit; and those who have some knowledge of land work.

Repression in Czechoslovakia

[BY A CZECH CORRESPONDENT]

March 26th.

AFTER an economic and racial drive against the Jews, the Germans arrested their intelligentsia and are proceeding against the "legionaries." The latest step is a system of terrorisation of civil servants, to assure the Nazis unquestioned mastery of the administration.

The Jews are very much impoverished, and hardly any Jewish shops remain. Cases of the blackmailing of Jews by Nazis are very common. In Prague and Brno, Jewish members of the community, including the old and infirm, have had to sweep up the streets. Jewish children are excluded from all schools, both elementary and secondary, and the Ministry of Education has forbidden Czech teachers to give private lessons to Jewish children.

The most striking attempt to break the Czech spirit is the blow against the legionaries. During the last war, 150,000 Czechoslovaks fought in the Allied armies against the Central Powers. When the Czechoslovak Republic was founded they became national heroes, obtained prominent positions and were organised into a powerful association. After the occupation of Czechoslovakia, they did not cease to be the backbone of resistance against the Nazis. The Germans called them "serfs of Jewish - plutocratic - Britishers, who deserted the Austrian-Hungarian Empire to fight the Germans," and accused them, probably quite correctly, of representing the same anti-German spirit as in 1914-18. Their central building, "Bajkal," and all the other property of the organisation, was confiscated and delivered to the Nazis.

After the drive against the Jews and the legionaries came a campaign aimed at control of the civil service. An order provides for the immediate dismissal of any civil servant who is not sufficiently "public spirited," in other words, who does not work for the Germans. Consequently, every civil servant is in constant fear of losing his position by a careless word. What applies to the 300,000 civil servants also applies to the 500,000 privately-employed clerks, who are under the supervision of Nazi Commissioners, and to the 2,000,000 workers, who are still allowed to have their shop stewards—but only if these are Nazis. This new device, therefore, keeps the whole nation, from the puppet Government to the worker, under constant pressure.

The Germanisation of Czechoslovak industry has been furthered considerably by the recent transfer to the Prague Union Bank of the capital of the important *Berg und Hüttenwerke* mining and foundries joint-stock company, which was owned by the *Union Européenne Industrielle et Financière* in Paris. The Czech Union Bank in Prague, the spearhead of German economic penetration in the Protectorate since October, 1938, is to be regarded merely as a Prague branch of the to be regarded merely as a Prague branch of the *Berg und Hüttenwerke*, which was held by the former leading Czech *Zivnostenska Banka*, was already transferred to the Czech Union Bank last year. The collapse of France enabled the Germans to take possession of the French holdings of Czech companies.

While the well-to-do classes complain that the food rations are not sufficient for them, poor families cannot even obtain the complete ration to which they have a right, as a result of the high prices, which have risen by as much as 150 per cent compared with last year. The bonuses granted by law are not sufficient to make up for the discrepancy in price.

Burma and the War

[BY A CORRESPONDENT]

March 21st.

WITH an area equalling that of Metropolitan France and a population exceeding sixteen millions, Burma is making a noteworthy contribution towards the war. The Chiefs of the Shan States, like the Indian Princes, placed their resources at the service of his Majesty as soon as war was declared. Burma is providing for the effective defence of her 2,000-mile long land frontier, along China,

Thailand and French Indo-China, and extensive coastline. She is also diverting her energies to increasing the output of such products as are valuable for the prosecution of the war.

Burma has acquired additional strategic importance in the last year or two. Wedged between two of the most densely populated and least bellicose countries in the world—India and China—she was at peace with her neighbours and the outside world. With the advent of aerial warfare, with Japan's attack on China and eyes on the South Sea possessions, tension is knocking at Burma's land frontiers. The entire cost of her defence was met from her own resources. Four years ago her Defence Services cost Rs.1,26,67,000, and the Frontier Force another Rs.54,00,000 annually. With the outbreak of war, defence expenditure has increased. Including capital outlay on aviation, military estimates for 1940-41 exceed Rs.3 crores. The four regular battalions of the Burma Rifles have been augmented in strength and a fifth one is being formed. Also, a number of technical units—Army Signals, Animal Transport Company and ancillary units—have been raised. The Burma Auxiliary Force includes four infantry battalions, and a brigade of artillery, which is also responsible for manning the coastal batteries and anti-aircraft defences. The Territorial Force now comprises three battalions. Furthermore, Burma possesses a naval patrol craft and an Auxiliary Air Unit. In addition, there are six irregular battalions of the Burma Frontier Force and a seventh unit is now being constituted. The Burma War Donation Fund, inaugurated in March, 1940, now exceeds £200,000. Part of this sum has been used in the purchase of the Burma Fighter Squadron of the RAF.

With the creation of the Defence Council the country's vast and varied resources are being mobilised for war purposes. The principal crops include paddy, oilseeds, maize, wheat and cotton, while rubber and tea constitute the leading plantation products. Nearly half the total area of Burma is under forests yielding teak, whose hardness and durability and importance for ship-building are well known. No Empire country east of Suez produces such a comprehensive range of mineral products indispensable for war. The value of Burma's mineral and metal production has expanded more than three-fold since the last war, from Rs.3,33,33,000 (1914-18 average) to over Rs.10,13,33,000 (1934-38 average). After Trinidad, Burma is the leading producer of petroleum in the Empire. She is the principal supplier of aviation petrol and lubricating oil for the RAF units operating east of Suez. The Bawdin mines in the Northern Shan States account for large tonnages of lead, zinc, copper, and silver, and smaller quantities of nickel and cobalt. As during the last war Burma is supplying the bulk of Allied tungsten requirements and far from negligible tonnages of tin.

Burma Exports (1939-40)		
Value in Lakhs of Rupees (1 Lakh = £7,500)		Rs. (Lakhs)
Paddy	3,048,664 tons.....	24,10.23
Mineral oil	222 million gallons	12,05.57
Metals and ores	139,424 tons	6,19.50
Teak	224,438 c. tons	3,11.00
Rubber	9,970 tons	50.01

China's Lifeline

Chungking breathes through Burma. This road is important for the shipment of exports from China—tungsten, antimony, tin, mercury, tung oil, etc., to finance war imports—trucks, petrol, arms, munitions, war chemicals and medical supplies. Since the Burma Road was reopened last October the flow of traffic has increased markedly. At first only 40 trucks, carrying a cargo of about 100 tons, exclusive of petrol, were daily using the highway. By mid-January nearly 160 trucks, carrying a cargo of 450 tons, were daily using the new route.

SETTLE ALL QUESTIONS as to
PROTECTION FOR YOUR FAMILY,
PROVISION FOR YOUR OWN FUTURE, AND
SAVING FOR THE COUNTRY

by means of a policy with
NATIONAL PROVIDENT INSTITUTION
FOR MUTUAL LIFE ASSURANCE
— FOUNDED 1835 —

48 GRACECHURCH STREET, LONDON, E.C.3.

THE BUSINESS WORLD

EPT and Reconstruction

SINCE the case against EPT in its present form was examined in *The Economist* early in November, the publication of some hundreds of company accounts and the strictures of an almost equal number of company chairmen have helped to confirm the conclusions then reached. At a time when a large section of industry was pushing its plant and personnel to ever greater efforts in the national service, and when a further substantial proportion was still reaping the benefits of restocking sales, an appreciable rise in earnings has gone parallel with a fall in distributable profits. For reports published during 1940, a rise of 9.2 per cent in the gross figure becomes a fall of almost 2 per cent in the net figure, although, during a substantial part of the period covered, EPT was at 60 per cent. Actually, the effect of the tax was greater than appears, for there is a growing practice of publishing even the gross figure after both EPT and depreciation. The lack of reliable figures for the latter charge makes it difficult to arrive at a just conclusion as to how far company managements are sacrificing future financial strength to a desire to limit dividend reductions. All that can be said with any certainty is that, where depreciation is shown, it is usually higher on the year, but that the rise frequently appears very moderate, as some of the companies are certainly working their plant both longer, and under less ideal conditions, than was the case in 1938-39. This would seem to mean that liquid capital is already beginning to run down, and will run down still more rapidly with the tax at its maximum unless dividends are severely cut.

It is clear that a depletion of working capital is inevitable unless either the company has a favourable basic period for EPT, or the board is prepared to cut dividends considerably. It is true that there is a special allowance under EPT for renewals on plant put to war purposes, and that this may be extended so as to rank as a permissible deduction in calculating Income Tax. But the maximum is 10 per cent, not a high figure for machinery which may be working twenty-four hours a day, seven days a week. Further, the special allowance does not apply to machinery installed prior to January, 1937, that is to say to a very large part of industry's normal equipment. Nor is this all, for the percentages are calculated on cost. Replacement value, when replacement is possible, has already risen substantially, and the indications are that the rise in prices will go further yet. In fact, EPT at 100 per cent—whose effect upon distributable profits has yet to be seen—coupled with inflationary finance, threatens to leave large sections of British industry, not only with much plant out of date, worn out, or redundant, but without the funds to replace or convert it. Considerable capital consumption is inevitable in total war, and it is far from being the case that EPT will be solely responsible for this condition. It does, however, affect a group of industries on which the country relies, not only for reconstruction at home, but for the restoration of its export trade. These include iron and steel, engineering, electrical equipment, motors and aircraft, certain sections of the cotton industry—where one year's profits only are affected—and, to some extent, shipping and shipbuilding.

It can, of course, be argued that finance is a secondary consideration; that the Government, having taken the money out of industry to meet its war needs, can put it back again when the time comes, and that the need for industry to obtain finance will enable the authorities to see that the most desirable projects have priority. What the public attitude towards Government control of industry will be after the war, it is hard to say at this distance of time. That there will be more control than before the war is highly probable. But the prospect

of all projects of capital expenditure waiting upon official sanction is too alarming to contemplate. The tasks which will have to be performed will call for the minimum of delay and a high degree of both initiative and boldness. However possible it might be in theory to plan industrial rehabilitation so as to meet domestic needs, foreign trade must involve the taking of many risks, and in many industries it will be impossible wholly to dissociate the one activity from the other. To achieve the best results at the earliest possible date, it is desirable that industry should have at its disposal securities which can be sold, or pledged, in order to tide over the period when the public as a whole may have little inclination to put its savings into concerns which have to prove their ability to make good in the changed conditions. If a post-war depression is to be avoided, wartime financial policy must take account of that intention from the start. Already, opportunities which would have favoured a rapid revival of private demand—such as Mr. Keynes' compulsory savings—have been neglected, and there can be no doubt that to deprive industry of liquid resources, at a time when heavy capital outlays will be called for, will greatly delay the change-over. If official control is necessary, it can be effected through the machinery of priorities already in existence. This is in no sense a plea for allowing industry to accumulate huge reserves with which to launch into new and untried fields, but merely a suggestion that liquid resources should be maintained at a level which will permit the restoration of physical capital to its pre-war condition.

If it were necessary to base the argument for some variation of EPT, as at present administered, solely on its ill-effects on a large section of industry, the case would be strong enough. But experience of the past few months goes a long way to confirm the views expressed in *The Economist*, and elsewhere, that the removal of all incentive to maximum profits leads, inevitably, to some laxity in keeping down costs even if, in the circumstances of the hour, patriotism, or the spirit of self-preservation, urges the manager to over-work plant, despite the fact that to do so, after allowing for higher wear and tear, means a smaller net return. The time is fast approaching when virtually all production will be for Government account or for private necessities, the cost of which helps to determine wage bills and the pricing of service contracts. The mere mathematics of the position suggest strongly that a reduction in tax would advantage the Exchequer. An example, rather oversimplified it is true, may help to put the matter in perspective. On the unlikely assumption that a firm makes as much as 20 per cent profit on turnover, before tax, and that, at the existing level of earnings, one-third is taken in EPT, the Treasury would make a profit on the change if a reduction in the tax from 100 to 85 per cent were a sufficient inducement to cause the management to resist a 2 per cent rise in costs—or effect an equivalent reduction—on the further assumption that the whole of the product were sold, directly or indirectly, to the Government. It need hardly be said that if, in this connection, either the rate of profit or the share taken in EPT is lower, the profit to the Chancellor on making the change is greater. On the whole, it may be taken as established that the claims of many accountants that the full 100 per cent EPT actually costs the Government money are reasonable. So evident is it that no loss can occur from a reduction of the rate that it is hard not to see, in any effort to retain the full rate, a confusion of thought as to the effect of allowing industry to retain a claim for materials and labour at some future date—to be determined by the authorities—and the effect which the emergence of

such a claim would have now on the superior demands of the services and the export market. It is the same lack of clear thinking which withholds immediate compensation for air-raid damage, because it is not usually desirable that workers and supplies should, at once, be made available for replacement.

In addition to these national considerations, which are of the first importance, there remain a host of inequities as between one industry and another, between the new and progressive firm and the established group, between the extractive and plantations industries, and so on, which call, even in wartime, for more consideration than they have yet received. Of the mass of complaints made public, and suggestions for their cure, a very high percentage is concerned with the need for adjustment of some detail, but the desired result is always to enable the payer of the tax to retain a larger proportion of his earnings, it being frequently explicitly stated that in no case would such sums be available for distribution or spending in wartime.

It is probable that the original intention in imposing the tax was as much to take the profit out of war as to increase revenue. Actually, in its existing form, it tends

to make a maximum war effort of no present advantage and a grave threat to the future of some of the firms concerned. This threat applies to the whole livelihood of their employees as well as to the income of shareholders, not a few of whom are industrial workers. It is possible that a solution could be found by a lengthy series of adjustments, but this would involve a costly expenditure of time by Government servants and a delay which is undesirable. It would be more expeditious and therefore, in the circumstances, more expedient, to adopt the suggestion, made in *The Economist* in November last, namely, a flat rate cut in the tax to 85 or 80 per cent, the amounts so retained to be blocked, normally until after the war, and in any case until permission to spend them had been granted. Such a measure would not reduce the flow of funds into the Exchequer, except where permission was given, and it can scarcely be denied that it would help to keep down prices. Industries would be assured, if profits sufficed, of accumulating some reserve against the effects of war strain on their plant and toward the finance of post-war adjustments, upon whose speedy completion the avoidance of a period of depression largely depends.

Finance and Banking

The Turn of the Quarter

The turn of the quarter was attended by a decided spasm of stringency in the short loan market. The banks had been drained of cash in the last days of the financial year by substantial transfers of tax money. They were, therefore, unwilling to buy bills or to extend their short loan accommodation to the discount market. The market, for its part, had concentrated its applications at last week's tender for Treasury bills on the June 30 maturities, which had to be taken up and paid for on Monday, the last day of the quarter. As the market syndicate obtained an allotment of 28 per cent of its application—as compared with 17 per cent. the previous week—the amount of bills which it had to take up on Monday was considerable. The position on that day was further strained by some calling of funds by overseas banks. The discount market was therefore forced to seek relief in moderate sales of bills to the official buyer, who took early June maturities at 1 per cent. Official assistance was also required on Tuesday, as the dividend moneys disbursed on that day had not percolated sufficiently to affect the short loan position. On that day the official buyer took some late May as well as early June maturities. By Wednesday the position was easing appreciably, and in the afternoon the discount market was again able to obtain $\frac{3}{4}$ per cent. The Bank return, however, still reflects a decidedly taut position. The repayment of advances made to the India Council in connection with the repatriation of India Government stocks had begun, and the item of discounts and advances show a reduction of £3,461,000, still leaving advances above its normal level at £36,814,000. As, in addition, Government securities show a slight drop and the note circulation is £3,146,000 higher, bankers' deposits find themselves no less than £17,144,000 down on the week at the comparatively low level of £101,452,000. The further repayment of temporary accommodation to the India Council will probably exert a contractionist influence on the volume of bank cash for the next week or so, but there is ample scope in the present level of Government securities for appropriate neutralising operations.

More Treasury Bills

Last week's Treasury bill tender was made noteworthy for two reasons. In the first place, the bills tendered for included the June 30th maturities, on which the market naturally concentrated its applications. More important was the revelation that the amount to be offered for tender on Friday of this week would be increased to £70 millions. The maximum on offer at the weekly tenders had remained unchanged at £65 millions ever since May 10, 1940, and it had been very widely assumed in the market that the consequent limit of £845 millions of Treasury bills issued through the tender would remain the effective "ceiling" for this part of the

floating debt. With the introduction of the Treasury deposits in July last, the tender issue of Treasury bills ceased to provide the elastic element in the floating debt, that position being usurped by the new form of direct borrowing from the banks. Had it not been for the creation of this alternative form of short-term finance the issue of Treasury bills would have had to expand considerably, and the authorities probably believed that the discount market, which still provides the principal channel for feeding the banks with bills, did not deserve the profits that would accrue from the increase.

The question which has been widely asked this week is whether the increase in the amount of bills to be offered indicates a fundamental change of policy and is the signal for a return to a more elastic bill issue than has prevailed over the past ten months. The market would be well advised to moderate its hopes in this respect. It is probable that the increase in the amount of bills to be offered has been made in response to the known fact of the large increase which has recently occurred in the official outside demand for bills. It is, however, somewhat paradoxical that the increase in the supply of these bills should coincide with the departure of a considerable amount of Indian Reserve Bank money previously employed in the short loan and discount markets but now absorbed by the repatriation of India Government sterling securities. The market syndicate, whose applications for bills will increase with the rise in the total of bills on offer, should thus receive a two-fold benefit—from the increase in the volume of bills on offer and from some reduction in the official outside competition for them. The near future, however, is likely to

KANSALLIS-OSAKE-PANKKI

(NATIONAL JOINT STOCK BANK)
ESTABLISHED 1889

PAID-UP CAPITAL AND FMK
RESERVES - - - 550,000,000
DEPOSITS AND CREDIT
BALANCES October, 1940 5,214,000,000

Head Office: HELSINKI (Helsingfors), FINLAND

Our large network of branches, comprising 196 BRANCHES, ensures prompt and efficient execution of your collections and payment orders.

Telegraphic Address: KANSALLISPANKKI

show that Treasury deposits will remain the truly elastic element in the floating debt.

* * *

Floating Debt Changes

The Exchequer return showing the floating debt position at the close of the financial year does not provide accurate material for a comparison of changes in its constituent elements over the previous month. The return gives the position at the close of business on Monday last, and the latest changes in the debt position are thus obscured by the uneven incidence of Treasury bill and Treasury deposit payments and maturities over the week. It may, for example, be assumed that the bulk of this week's bills had been paid for by the time the return was drawn up, while the week's maturities were more evenly spread over the week. It follows that the amount of bills outstanding on March 31 was temporarily swollen by anything between £45,000,000 and £55,000,000. In the light of this, the actual decrease of about £3,000,000 in the total of Treasury bills outstanding over the month of March seems to indicate an appreciable reduction in the outstanding volume of bills issued through the tap. A similar reduction occurred towards the end of March, 1940, when the movement could be more accurately measured as weekly returns of the floating debt position were still published at the time. The same vitiating factor affects a comparison of the Treasury deposits total. This has risen over the month by £74,500,000 to £429,500,000, while if a tally of weekly issues and maturities is taken, the amount outstanding over the four weeks ended March 29 should have increased by £50,000,000 only. The Exchequer was thus well provided with funds over the turn of the financial year and there was no need for recourse to borrowing from the Bank. The usual monthly table showing the respective contributions of revenue and borrowing to financing expenditure will be found in the Budget Supplement on page 440.

* * *

Rupee Fluctuations

After sixteen months of complete stability there was a small disturbance in the rupee-sterling rate on Monday of this week, and since then the rate has be-

haved in a manner almost reminiscent of a free market. The rate had been held steady since October, 1939, at 1s. 5½d.-1s. 6½d., thus giving a middle rate equal to the statutory parity of 1s. 6d. On Monday last the middle rate was brought down to 1s. 5 59/64d. and the spread between buying and selling prices fixed by the Reserve Bank widened from ¼d. to ½d. Since then the middle price has risen to 1s. 5 63/64d. with a spread of ¾d. These are movements which would pass almost unnoticed under normal market conditions. They are brought into prominence, first, because of the long-established rigid stability they have disturbed, and, secondly, because in these days of exchange control a shift of rates is a matter of conscious policy on the part of the authorities and not the answer of a free market to the interplay of demand and supply. The reason which led the Reserve Bank of India to make this adjustment in its sterling rates appears to have been a sudden demand for sterling from Indian investors after the completion of the operation begun with the Vesting Order on a number of India Government sterling securities. As a result of this Order certain investors in India who previously held sterling securities found themselves with rupees. Since the reasons for their previous purchases of sterling securities presumably still held good, they immediately proceeded to convert their rupees into sterling preparatory to reinvesting these funds in the London market. Faced with this non-commercial demand for sterling, the Reserve Bank both lowered its rate and widened the spread against the potential buyers. There was an element of harsh dealing in this manoeuvre, since the operators concerned were in the first place compelled to sell their sterling securities and accept repayment at the previous official rate of exchange. Then, as soon as they wished to undo the operation, the rate was moved against them. The fact that this should have been done is a token of the Indian authorities' desire to discourage such a movement of capital, though, again, this seems surprising, in view of the substantial creditor balance at which India's account of international payments—and in particular sterling payments—is still running. It should be stressed that despite shipping and other difficulties India's balance of payments, both with the rest of the Empire and with the dollar area, remains active. The recent movement in the rupee rate is, therefore, contrary to the underlying trend of the market.

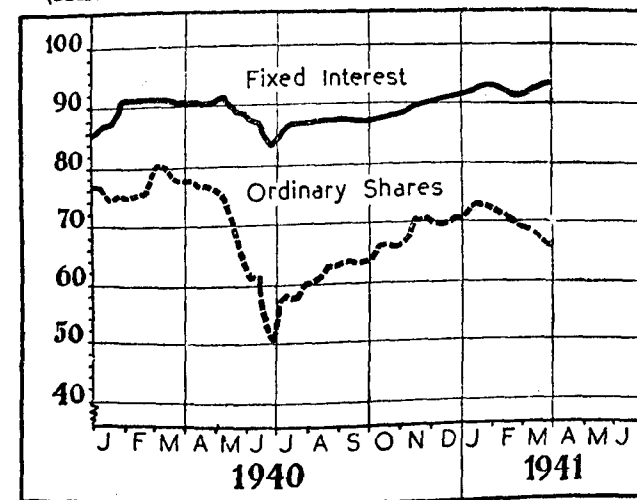
Investment

Easy Money and Budget Fears

Uncertainties as to what the forthcoming Budget, now imminent, will produce, and of the effects of inten-

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



sified national effort, aided by a fuller realisation of the results of EPT, continued throughout the month of March to contend for the determination of market senti-

ment with the consequences of plentiful supplies of short money and of disbursements and dividend payments to the individual investor. During the early part of the month, political and military developments were on the whole adverse, but it is improbable that they played any substantial part in determining price levels. It is significant that such recovery as followed the Yugoslav revolt lasted scarcely forty-eight hours and that victories over Italy, on land and sea, failed to prolong it appreciably, in face of the attitude of Vichy France. In these circumstances, it is scarcely surprising that, to the extent that financial factors triumphed over others, the effect was visible mainly in fixed-interest stocks. The indices both of *The Financial News*, which appear above, and of *The Institute of Actuaries*, of which the salient points are tabulated below, show recoveries in the funds more than outweighing the slight reverse of February, and a continuance of the decline in equities, which in that month succeeded on a seven months' improvement. Actually, the fixed-interest index of *The Financial News* is at its highest since the end of August, 1938, which was, incidentally, the same as the level a year before. The recession in equities on the month was slight and has already been made good in part.

* * *

Closing Margins

The renewed improvement in the Funds, carrying the "irredeemables" and 3½ per cent War Loan, which can no longer be included in that class, to the highest levels for over four years, has gone hand in hand with a

further narrowing of the margin between gilt-edged stocks and most other fixed-interest securities. This tendency, however, stops short of industrial preferences, among which only those of the distributive section show a decline in yield. The figures extracted from *The Actuaries' Investment Index*, and given below, bring out these movements as well as some of the principal changes in equities.

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928=100)				Yields per cent		
	Mar. 26, 1940	Jan. 28, 1941	Feb. 25, 1941	Mar. 26, 1941	June 25, 1940	Jan. 28, 1941	Mar. 26, 1941
Fixed Interest.							
2½% Consols	128.9	137.5	137.4	138.2	3.53	3.24	3.23
Home Corporations (4) ..	128.5	128.3	129.3	130.4	3.79	3.63	3.57
Total Indust. Debs. (43) ..	111.2	108.2	108.5	110.0	4.58	4.39	4.32
Distributive Preference (23)	71.6	63.1	63.4	63.8	6.44	5.73	6.13
Total Indust. Pref. (101)	97.3	90.9	91.2	91.0	5.52	4.96	4.98
Ordinary Shares							
Investment Trusts (9)	38.0	32.7	33.3	33.5	6.64	7.24	7.03
Building Materials (6) ..	49.0	32.3	30.3	30.8	11.63	4.53	4.99
Elect. Manufacturing (13) ..	121.2	113.6	112.4	113.1	7.51	5.65	5.68
Gas (8)	82.4	61.2	55.9	55.9	7.09	6.65	7.32
Total Productive (90)	63.4	54.7	52.7	52.1	9.35	6.42	6.54
Stores (18)	44.7	34.9	33.7	33.0	9.55	5.63	6.55
Total Distributive (29) ..	41.7	34.7	33.5	33.4	8.73	5.77	6.18
Total Miscellaneous (40) ..	65.9	58.4	57.0	56.4	8.46	6.23	6.32
TOTAL INDUSTRIAL (159)	59.3	50.8	49.1	48.6	9.01	6.26	6.42

The fall in total equities on the month is very much less than that of February, and there are a number of improvements against the general trend. These include insurance, investment trust and aircraft shares, as well as home rail and shipping equities. It is also interesting to note a resumption of the rise in electrical equipment, which suffered a reverse in February on fears of curtailment of domestic demand, just as they did in September last, when export trade was threatened with contraction. The changes of the month, whether up or down, are, however, too moderate to form the base for any but tentative conclusions. It is probable that, with the budget out of the way, there will be a recrudescence of the recent tendency to invest in equities of companies whose post-war prospects appear good, provided that the immediate outlook is not too depressing for their particular trade.

* * *

Closer Working in Steel Industry

That there is room for closer co-operation, even in an industry as closely integrated as steel, is well known, and what promises to be an important development in this direction has just been made known. The announcement took the innocent form of new appointments to the boards of Stewarts and Lloyds and The United Steel Companies, which result in Sir Walter Benton Jones, chairman of the latter, sitting on the board of the former, while Mr Alan Macdiarmid, chairman of Stewarts, and Mr Richard Summers, who occupies that post on John Summers, become directors of United Steel. The two concerns last named were already co-operating in the erection by John Summers of a new American strip mill, and the changes, as well as the appointment of Mr Neville Rollason, Managing Director of John Summers, to that post on United Steel, point to further tightening of the alliance. The entry of Stewarts and Lloyds into this field is, however, a new and important departure. It greatly extends their sphere of interest, which had already been widened by the acquisition of Stanton Iron in October, 1939. Through their alliance with Tube Investments, and their subsidiaries throughout the Empire, excluding Canada, this concern now has influence in a very wide geographical area over many important sections of the trade.

* * *

The First Quarter's Capital Issues

The tables of capital issues, compiled each quarter by *The Economist*, reveal an even greater subjection of the market to Government requirements than in the corresponding quarter of 1940. Aggregate issues are slightly below those of the previous year, and, calculated on the "new basis," which includes issues by permission to deal, the total has declined from £376,838,800 to £380,254,200, while the figure of Government issues is down from £371,825,000 to £327,344,300. Other issues amount to some £2,900,000 against some

Strength—Stability

Extracts from the 88th Annual Report to be presented to the Shareholders at the Annual General Meeting at Halifax on Monday, April 7th, 1941

ADVANCED ON MORTGAGES

£1,976,850

MORTGAGE ASSETS ... £100,539,381

LIQUID ASSETS

In Trustee Securities ... £17,720,140

Cash at Banks and in hand £6,113,837

TOTAL ASSETS ... £125,068,992

SHARE AND DEPOSIT FUNDS

£118,505,404

PROFITS—The balance of profit for the year after making provision for all management expenses, Income-Tax, National Defence Contribution, and Interest due to Depositors up to the date of the accounts amounted to £2,850,145. Appropriations have been made to Investing Shareholders of Interest and Bonus £2,657,952.

TOTAL RESERVE FUNDS AND UNDIVIDED PROFIT £5,992,778

COPY OF BALANCE SHEET FREE ON APPLICATION
HEAD OFFICES - HALIFAX

GENERAL MANAGERS—

DAVID W. SMITH, F.C.I.S. F.E. WARBRECK HOWELL, LL.D.

LONDON DISTRICT OFFICE—
HALIFAX HOUSE, STRAND, W.C.2
CITY OFFICE—62 MOORGATE E.C.2

BIRMINGHAM . . . 28-29, Colmore Row
BELFAST . . . 14 Donegal Square West
EDINBURGH . . . 75, George Street
GLASGOW . . . 119, St. Vincent Street
LEEDS . . . 82 Commercial Street
LIVERPOOL . . . 87, Dale Street
MANCHESTER . . . 130 Piccadilly
SHEFFIELD . . . 49-53 Surrey Street

Over 400 Branches throughout the Kingdom

HALIFAX BUILDING SOCIETY

LARGEST IN THE WORLD

£5,000,000. Of Government borrowing, the most substantial item is £139,000,000 in the second series of 2½ per cent National War Bonds. Three per cent Savings Bonds have yielded nearly £77,400,000; 3 per cent Defence Bonds nearly £51,000,000, and Savings Certificates some £44,600,000. Outside the sphere of Government borrowing, the only important issue has been the Broken Hill offer, to shareholders only, of £2,500,000. Clearly, the Government is experiencing no competition in its endeavour to draw upon new savings. The only question to which the first quarter's figures give rise is whether the total of Government issues is adequate.

TABLE I.—TOTAL BORROWING (Million £)

First Quarter of Years	British				Empire	Foreign	Total Issues	Indices
	Government	Home Corporations*	Others	Total Home				
By Direct Public Offer (Old Basis)								
1928	85.8	1.0	47.6	134.4	21.6	13.0	169.0	100
1939	0.3	1.5	14.1	15.9	3.5	0.2	19.6	11
1940	371.8	NH	0.7	372.5	0.1	NH	372.6	220
1941	327.3	NH	NH	327.3	2.5	NH	329.8	190
1935								
Including "Permission to Deal" (New Basis)								
1935	3.0	3.8	57.4	64.2	9.1	1.4	74.7	100
1939	0.3	1.5	21.6	23.4	8.2	0.2	31.8	43
1940	371.8	NH	4.6	376.4	0.4	NH	376.8	505
1941	327.3	NH	NH	327.3	2.9	NH	330.2	442
* Including county and public board loans								

* Including county and public board loans.

TABLE II.—TOTAL COMPANY ISSUES (Million £)

First Quarter of Years	Old Basis				New Basis			
	1938	1939	1940	1941	1938	1939	1940	1941
Debentures.....	3.3	3.1	NH	NH	7.1	6.3	1.0	0.2
Preference.....	2.3	0.9	0.1	NH	3.8	1.6	0.3	NH
Ordinary.....	9.6	5.2	0.6	2.5	20.5	13.5	3.7	2.7
Total.....	15.2	9.2	0.7	2.5	31.4	21.4	5.0	2.9

TABLE III.

ANALYSIS OF NEW CAPITAL APPLICATIONS
(Excluding Conversions)

	Old Basis		New Basis	
	First Quarter 1940	First Quarter 1941	First Quarter 1940	First Quarter 1941
British Government Loans	371,825,000	327,344,300	371,825,000	327,344,300
Mines.....	NH	2,500,000	49,300	2,530,100
Breweries and Distilleries	98,000	NH	158,400	NH
Stores and Trading	NH	NH	1,250,000	NH
Estate and Land	142,400	NH	142,400	19,000
Rubber.....	NH	NH	5,100	NH
Iron, Coal, Steel, &c.	202,000	NH	202,000	255,000
Electric Light & Telegraph	NH	NH	351,800	NH
Tramways and Omnibuses	NH	NH	754,500	NH
Motor Traction, &c.	NH	NH	80,900	NH
Gas and Water.....	NH	NH	641,100	105,800
Hotels, Theatres, etc.	NH	NH	60,100	NH
Manufacturing & Miscellaneous	303,100	NH	1,313,200	NH
Totals.....	372,571,500	329,844,300	376,833,800	330,254,200

* * *

Municipal Conversion Terms

The Treasury has now announced its decision as to the means by which the conversion of some £32,500,000 of stocks of local authorities, carrying optional redemption rights, is to be dealt with. As was suggested in *The Economist* of March 29th, no attempt is to be made to substitute a single joint issue for the separate loans, but, as was the case even before the war, the terms of all offers are to be identical. Also a further step has been taken by massing the offers at two points in time, instead of allowing them to be spread, more or less evenly, over a period of months. The plan, as at present disclosed, is that all local authorities, desiring to exercise their rights of conversion, are to date their announcements as from May 1st, giving either three or six months' notice to present holders, as is required by the terms of issue. Making allowance for a partial repayment in cash, already announced by Birkenhead, and the inclusion of two port stocks, this would appear to mean that some

£26,000,000 will be dealt with on August 1st, and about £9,000,000 on November 1st. The first section will include all the loans with maturity dates 1940-60, and, it would seem, the 5 per cent stocks 1941-61 of Hull and Liverpool, while the latter covers the 5½ per cent stocks 1941-61 of Birmingham, Liverpool and Sheffield and the 5 per cent stock 1941-51 of Stoke-on-Trent. While no official intimation has been given as to the exact terms on which all these offers are to be made it is highly probable that they will take the form of stock of relatively long life, carrying interest at 3½ per cent and issued at par. Two corporations, the City of London and Hull, have already made applications to convert.

Company Notes

Vickers Group

Accounts of the Vickers group for 1940 necessarily provide scant information of the past year's industrial record. The profit figure disclosed by the holding company, *Vickers Limited*, shows a decline, after tax, from £1,260,711—adjusted for tax on preference dividends—to £1,188,651, on a comparable basis. As in the two previous years, the ordinary shareholders receive 10 per cent, while the carry-forward is raised from £480,188 to £651,821, after allocating £250,000 to contingencies reserve, and the rate of ordinary earnings is up from 20.2 to 21.9 per cent. *Vickers-Armstrongs*, one of the operating concerns, is declaring a dividend of 7 per cent tax free, covered by earnings of 7.6 per cent tax free, on ordinary capital, the first payment in its history. Profits, after tax and ARP expenditure, are up from £1,778,143 to £1,963,527, and the depreciation provision is higher by £250,000 at £1,000,000. The results of *English Steel* have already been discussed in *The Economist* of March 29, 1941, in connection with the *Cammell Laird* accounts. The directors report that *Metropolitan Cammell Carriage* has repaid the outstanding debenture stock, shown in the balance-sheet of the holding company at £450,565 at the end of December, 1939. Reserves of the holding company still stand at £3,000,000 against fixed assets which are reduced from nearly £11,000,000 to some £10,500,000. The *Vickers-Armstrongs* balance-sheet shows a striking rise in stocks and work in progress of some £14,000,000 to £46,882,267 and in cash holdings from £213,045 to £1,648,372. Among liabilities, the total of creditors, taxation and contingencies has almost doubled at £14,348,293, while instalments on account of contracts are up from £26,792,458 to £36,252,353. There is no doubt that the group is working at high pressure to meet the demands of the service departments, as the chairman, Mr A. A. Jamieson, indicates in the course of his preliminary statement. The market offers a yield on the *Vickers* 10s. ordinary stock of £6 13s. 4d. per cent at the current price of 15s. ex dividend.

* * *

Home and Colonial Group

The full accounts of the *Home and Colonial Stores* and its two wholly-owned subsidiaries *Meadow Dairy* and *Lipton*, for the fifty-two weeks to January 4, 1941, are analysed in the table appearing on page 456. The set-back in profits after EPT, which resulted in a deficit for ordinary capital of £89,115 in the case of *Home and Colonial* and of £20,417 in the case of *Lipton*, is due predominantly to the weight of taxation, and the trading profits of the whole group, after depreciation but before tax, declined only from £992,833 to £849,948, against a total of £548,763 in 1938-39. Two of the three concerns are paying no dividend on ordinary shares, while *Meadow Dairy*, which fared best, is distributing the usual 5 per cent on ordinary shares. *Maypole Dairy* pay 4, against 7 per cent. *Lipton* only secured a credit in the carry-forward of £8,961 against £9,378 by transferring £20,000 from contingencies reserve, and *Home and Colonial* was forced to make a draft on general reserve of £48,000 to meet war damage contributions. It is significant that although none of the concerns appear to suffer from any shortage of liquid capital, the large excess of current assets has been reduced by some 8½ per cent. *Lipton* shows a rise in cash holdings in the balance sheet from £192,740 to £219,221 after repayment of a bank overdraft of £8,877, while the *Home and Colonial* balance sheet shows a rise in cash from £185,162 to £282,328.

THE PRUDENTIAL ASSURANCE CO. LTD.

Points from the Directors' Report and the Statement issued to the Shareholders by the Chairman

SIR EDGAR HORNE, Bart.

The 92nd ANNUAL GENERAL MEETING was held at Holborn Bars, London, E.C.1, 3rd April, 1941

ASSETS AND INCOME. The assets of the Company are now £364,854,580, of which over 93 per cent. are invested in the United Kingdom and the Empire. The income during 1940 was £56,048,786.

ORDINARY BRANCH. The net new sums assured were £20,945,502. On participating policies a bonus of £1 per cent. will be paid on claims arising by death or maturity of endowment during 1941.

INDUSTRIAL BRANCH. The premiums received were £25,178,307, being an increase of £1,368,273.

On participating policies a bonus of 16s. per cent. will be paid on claims arising by death or maturity of endowment during 1941.

GENERAL BRANCH. The premiums received were £2,422,474 arising from Fire, Sickness and Accident, Employers' Liability, Marine, Motor Insurance, etc.

APPROVED SOCIETIES. The total amount expended on benefits was nearly £4,600,000.

SERVICE and SECURITY

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.

Company (periods to end Jan. approx.)	Net Profits after EPT	Income Tax	Equity Shares			
			Amount		Rate	
			Earned	Paid	Earned	Paid
Home & Colonial:	£	£	£	£	%	%
1939	378,455	34,000	80,322	60,340	4.4	3.8
1940	446,887	42,000	140,689	120,680	7.5	6
1941	257,011	35,000	Dr. 39,116†	Nil	Nil	Nil
Meadow Dairy:						
1939	137,211	14,000	30,573	18,787	9.3	5
1940	156,725	27,000	37,087	18,787	12.5	5
1941	121,644	20,000	37,794	18,787	13.7	5
Lipton:						
1939	79,848	5,000	72,248	67,500	6.6	6
1940	127,980	32,000	83,380	78,750	7.6	7
1941	Dr. 4,542	13,500	Dr. 20,417	Nil	Nil	Nil

* Gross profits after EPT.
† Before deduction of £48,000 debited to General Reserve for war damage contribution.

In his annual review circulated with the report, the chairman, Sir George Schuster, points out that provision has in all cases been made for estimated tax liabilities of the group, but that, in fact, an appeal against the form of assessment has been lodged, and that there is some possibility of adjustment. Sir George puts forward a strong plea against assessment on the peculiarly disadvantageous EPT position of the group and also against disallowance of numerous heavy expenses in assessment for income tax. He also draws attention to the ridiculous position that, whereas the *Home and Colonial* would have been well placed in applying for an alternative standard, had they bought the subsidiaries outright, it is in a weak one by virtue of the fact that it acquired control by a purchase of shares, and that, in consequence, nothing is allowable for the cost of goodwill. The *Home and Colonial* 4s. ordinary shares declined from 2s. 9d. to 2s. 4½d. on news of the passing of the ordinary dividend.

THE STOCK EXCHANGES

London

Note: all dealings are for cash.

OPTIMISM, resulting from the excellent news in all theatres of war, found its greatest outlet, both before the week-end and on Monday in further rises for the funds and a buoyant home rail market. After moderate profit-taking, these stocks became more subdued and the upward movement was confined to selective buying of certain leading industrials, with breweries still depressed by budget fears. In general, the industrial market treated the improvement in the fortunes of war with the same stolid impassivity with which it has faced bad news.

*

In the gilt-edged market news of the coup d'état in Yugoslavia helped to raise 3½ per cent War Loan to 105½ on Friday, March 28, the highest level since 1937. Other significant rises were ½ for 3½ per cent Conversion and ½ for 4 per cent Consols and Local Loans. Further rises on Monday were largely cancelled by late profit taking, which continued on Tuesday when a large number of issues, including 2½ and 4 per cent Consols, 3 and 3½ per cent Conversion and 3½ per cent War Loan, lost ½. In mid-week, too, there were a number of losses in the order of ½. The foreign bond market remained firm throughout, Greek loans enjoying spectacular rises after the transformation of the Balkan situation. Thus, 7 per cent bonds improved 2½ before the week-end, followed by 2 points on Monday, thus bringing the price to 23. Egyptian Unified was also in demand, and a confident assessment of the influence of Balkan developments on Mr. Matsuo's conclusions encouraged many rises in Japanese issues. On Monday, the 5 per cent bonds of 1907 gained 1½ and the 6 per cent stock of 1924 ½ point. Later in the week, Czech and Belgian bonds reversed pre-week-end losses.

*

Last week's boom in home rail stocks lasted until Monday, when Southern 5

per cent guaranteed preference gained 2½ and Great Western 5 per cent consolidated guaranteed, 1½ points. There was also a continuation of the steady fractional gains in ordinary issues. The next day, despite profit-taking, in which Southern preferred lost 1 point and LMS ordinary ½, there was further buying of "Brum" senior issues. In mid-week the market ruled mainly quiet. The foreign rail market was characterised by a steady demand for Canadian Pacific preference and by a number of small gains among Argentine railways, in which BAGS was prominent.

*

The industrial market moved somewhat irregularly. Electrical equipment shares attracted attention and Associated Electrical Industries, British Insulated Cables, English Electric and Siemens all realised moderate gains. In the heavy industrial group, United Steel was consistently in demand. Stewarts and Lloyds deferred improved before the week-end, but later in the week eased somewhat in company with BSA and Babcock and Wilcox. The tobacco leaders were cheerful despite Budget fears, BATS and Imps staging gains of ½, though a number of breweries, including Watney deferred and Ind Coope, lost 1s. Brazilian Traction and Associated Portland Cement advanced, among miscellaneous industrials, and, in the textile section, Courtaulds and British Celanese moved irregularly in sympathy.

*

Kaffirs remained firm throughout the week, but showed a somewhat disappointing response to the encouraging war news. "Sallies" were in demand, rising ½ on Monday followed by ½ the next day, and there were also improvements in Crown Mines, Daggas and East Daggas and Grootvlei. Among tin shares, Mawchi and Tronoh gained a few pence, and, in the diamond market, De Beers deferred again put on ½ on Monday. There was still little activity among rubber shares, apart from small

British Oil and Cake Mills

In the calendar year 1940, British Oil and Cake Mills, which is now a controlled undertaking, working exclusively under the direction of the Ministry of Food, realised a further satisfactory increase in gross profits from £811,520 to £859,403 after depreciation, the highest level for the past decade. After the creation of a tax reserve of £25,000 and the payment of tax liabilities of £53,415, against £50,232, and after the allocation of £34,500 for estimated contributions under the War Damage Bill, the surplus earned for ordinary capital is reduced from £330,565 to £315,875, representing a rate of 9.0 against 9.7 per cent. The dividend is maintained at the 9 per cent distributed in the two previous years, despite the narrow margin, leaving the carry-forward slightly higher at £77,054 against £76,179. The vital social importance of the company's activities is clear at the present time, but the difficulty of obtaining raw materials must be expected to place a definite restraint on the upward movement of total earnings, from which taxation and war damage contributions will exact an increasingly heavy toll. The rise in stocks of raw materials from £406,428 to £665,073 is a welcome feature of the balance sheet. The reduction in both creditors and debtors, the latter by as much as £356,998 to £591,908, suggests that the company's official business has met with prompt payment, making possible a reduction in claims owing and an increase in cash holdings from £176,610 to £253,831. The ordinary capital is, of course, held exclusively by Lever and Unilever, which is undertaking responsibility for EPT on the earnings of its subsidiaries. The £1 cumulative preferred ordinary stock, carrying a dividend of 12½ per cent, at the current price of 38s. 1½d., offers a yield of £6 11s. 2d. per cent, the dividend being almost thrice covered by earnings.

setbacks for Malayalam and Rubber Trust at the end of last week. Oil shares were cheerful on hopes of a modification of EPT, a factor which served to raise Trinidad Petroleum Developments by ½ daily, and Trinidad Leaseholds were also quoted higher. Other issues remained more subdued, though before the week-end the ordinary shares of Anglo-Iranian, Shell Transport and Burmah Oil all improved.

"FINANCIAL NEWS" INDICES

1941	Approx. Total Bargains in S.E. List	Corres. Day 1940	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Mar. 27 ..	2,591	4,085	67.5	128.0
" 28 ..	2,719	4,025	67.7	128.4
" 31 ...	3,352	5,113	67.8	128.6
Apr. 1 ...	2,690	4,635	67.7	128.5
" 2 ...	2,736	4,651	68.0	128.8

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1941; highest, 78.7 (Jan. 17); lowest, 67.1 (Mar. 14). 20 Fixed Int., 1941; highest, 128.8 (Apr. 2); lowest, 126.1 (Jan. 2).

New York

BEFORE the week-end, business declined to the extremely low level at which it continued during the present week. The undertone remained firm, and price movements, which were narrow, included many fractional gains for steel, rail and motor issues. Buyers, though encouraged by news of the British naval victory, remained cautious, and the continuance of U.S.A. labour disputes was a discouraging factor. Aircraft issues were somewhat depressed by rumours of working short time in view of shortage of raw materials.

In midweek, markets presented a somewhat nervous appearance and steel, rail and motor issues suffered moderate losses. The Iron Age estimates that steel mill activity is unchanged at 100 per cent of capacity.

(Continued on page 478)

Industry and Trade

The Need for More Coal

At a Conference of representatives of the Government and of the coal mining industry held in London on Thursday, March 27th, Sir John Anderson, the Lord President of the Council and the Chairman of the Cabinet Coal Committee, appealed for an increase in the national output at the rate of 25 million tons per annum. After a long discussion in which all the main economic aspects of the industry were surveyed a resolution was passed unanimously pledging the industry to put forth every effort of the national, district and pit organisations to secure the fulfilment of the Government programme. It would be idle to ignore the difficulties which must be surmounted if production is to be increased by something like 12½ per cent. The colliery owners are asking that there shall be no further drain on the man-power of the industry, that there shall be a more regular attendance of miners at work, and that transport facilities shall be adequate for the uninterrupted working of the pits; while the workmen, on the other hand, are asking for better wages as well as for effective safeguards against loss of shifts due to transport difficulties and want of trade. Moreover, the Mineworkers' Federation, at a meeting on April 2nd, decided to oppose the compulsory retention in, or return to, the industry of miners "unless satisfactory wage standards can be negotiated and some effective measure of workers' control of the industry is agreed upon." Action has already been taken by the District Conciliation Boards with a view to the improvement of local conditions directly affecting individual output. The industry had to face a similar problem last May, and under the direction of the Coal Production Council schemes were then drafted in many areas for raising production. The capitulation of France and the loss of nearly the whole of the European and Mediterranean export markets, however, removed the need for more coal, but the schemes are still available and capable of at least partial application in the present emergency. The problem, unfortunately, is being complicated by the agitation in some of the coalfields for a guaranteed working week or a guaranteed weekly minimum wage. It might, perhaps, be expedient temporarily to adopt this device, subject to necessary safeguards, if it carried with it the guarantee of a larger output; but it would be unwise to disregard the grievous effects on output of guaranteed minimum wages during the closing years of the last war.

* * *

Concentration in Cotton Trade

For the purpose of carrying out the slimming process in the cotton industry mills have been grouped into three categories. These are the nucleus mills which will continue to run, the mills that will be closed down shortly, and the mills that will be kept running temporarily and will later be grouped into one or the other of the first two categories. In order to assist in the solution of the labour problems arising from the closing of mills, the local advisory committees are to be appointed. These committees, which will consist of three representatives of the employers, an equal number of the operatives and of the manager of the local employment exchange, will advise the Central Consultative Committee on matters of principle, and the local employment exchanges, local employers, trade unions, and operatives changes, local employers, trade unions, and operatives on individual problems; the committees, in turn, will be kept informed by the Consultative Committee on the policy pursued by the industry as a whole. By this means it is hoped to facilitate the redistribution of labour in the national interest.

* * *

Cotton Prices and Margins

By the Control of the Cotton Industry (No. 19) Order, stocks of raw cotton in this country (except those in the hands of consumers) and all arrivals on or after April 1st will be requisitioned by the Government. Pending the formation of the company which is to undertake the purchase and distribution of cotton on behalf

of the cotton controller, the Liverpool and Manchester cotton associations have agreed to assist the controller by arranging for their members to release cotton to spinners in accordance with his instructions. Until further notice raw cotton prices will be maintained at the official maximum prices for March 31st, before the suspension of the futures market. By the Control of the Cotton Industry (No. 20) Order, the prices of American type yarns are to be determined by adding the prescribed margins to the price of raw cotton on March 31st. Until a comprehensive price schedule has been worked out, spinners of Egyptian-type yarn are required to base their yarn prices on the last cotton quotation available, adjusted for changes in the valuation for control purposes between the date of that quotation and March 31st.

* * *

Wool Export Organisation

The National Wool Textile Export Corporation has begun to survey its field of operations, and some of its plans were outlined last week by Mr. W. Thow Munro, chairman of its Trade Promotion Committee. An agreement on collaboration has already been reached with the International Wool Secretariat, to prevent overlapping and to increase the sum of money available for trade promotion. The Export Corporation itself is financed by the one-tenth per cent levy on purchases of wool supplied by the Wool Control for processing in the United Kingdom, but this is not expected to yield more than £100,000 a year. The Corporation covers all manufactures into which wool enters, ranging from carpets to knitting yarns. Committees are to be set up to deal with these diverse manufactures, each of which has its own problems. The Men's Apparel Council was the first to be set up, with the object of maintaining and extending London's position in leading men's fashions. It is hoped to form a similar body to deal with women's fashions, concentrating on the tailor-made type of fashion in which this country excels. America is the immediate concern of the Corporation. Great Britain provides only 1 per cent of the woollen goods consumed in the United States, and the aim is to increase this to 5 per cent. The United States market has a special value as a "prestige" market—once captured, other American countries follow. In view of the shortage of shipping space, the export of high-grade qualities should be the chief concern of the Corporation. Indeed, it is likely that large stocks of merino wools are available for the export trade, as Service requirements can be fulfilled from cross-bred materials, and the home civil market is restricted. The exporter succeeds only in so far as he knows his market, and for this reason one of the main functions

BANK OF LONDON & SOUTH AMERICA LIMITED

Affords a complete international banking service through its branches in

ARGENTINA, URUGUAY, PARAGUAY
CHILE, COLOMBIA, ECUADOR
GUATEMALA, NICARAGUA, PERU
SALVADOR, VENEZUELA, BRAZIL
SPAIN, PORTUGAL

Head Office:

6, 7 and 8 TOKENHOUSE YARD, LONDON, E.C.2

Agencies in: New York, Bradford, Manchester

of the Export Corporation is to study markets. What knowledge already exists is used to influence exports to meet the known demands, but the reports of the liaison officers who are being appointed should bring to light much information of the greatest assistance to designers and manufacturers. It should also be remembered that advertising can create demand for the goods we are best able to supply. The work of the National Wool Textile Export Corporation is still in an early stage, but it should be of considerable assistance to the export trade.

* * *

Retail Sales

In view of the importance of the distributive trades as a reservoir of war workers and of the consequent need for "concentration" in the industry, emphasized by the President of the Board of Trade in the House of Commons on Thursday last week, the returns relating to the average daily value of retail sales, compiled by the Bank of England from a representative sample, are of special interest. The table on page 467 shows the trend of sales in recent months by districts and by commodities. The value of sales of food and other goods compared with the same month in the preceding year is shown below from August, 1940:—

Percentage Changes from Preceding Year		
	Food and Perishables	Other Merchandise
1940 August	+ 5.4	+21.0
September	+11.5	+ 6.7
October	+ 5.2	+20.9
November	+ 0.3	+ 1.3
December	+ 0.8	+ 6.7
1941 January	+ 5.8	+ 8.8
February	+ 3.5	+ 1.8

While the fall in the volume of sales should facilitate concentration, the maintenance of the value of sales, which prevented a corresponding fall in profits, should ease the financial difficulties of the slimming process.

* * *

Record Nickel Production

According to the United States Bureau of Mines, world production of nickel amounted to 121,000 metric tons in 1939, against 115,500 tons in the preceding year. Simultaneously, world consumption advanced from 102,000 tons to 128,000 tons. In both cases the 1939 figures were the highest ever reached. In 1940 both production and consumption are estimated to have advanced by 10 per cent, although towards the end of 1940 the rise in production was slightly more marked than that of consumption. Since the outbreak of war America and Great Britain have been responsible for over 85 per cent of the world's nickel absorption, and in both countries the great bulk of consumption was accounted for by the armament industries. Nevertheless, allocations for vital civilian uses were continued, and some nickel was also sold under licence by the Canadian Government to civilian consumers outside the United States and Great Britain. Continental European countries, however, were cut off from overseas supplies, and as the small output of Greece has suffered from the war and the newly-developed mine at Petsamo in Northern Finland is not yet in operation—

COMMODITY AND INDUSTRY NEWS

The highlight of the week has been the removal of cotton from the trio of important commodities whose prices had been left free; only tin and rubber remain, though there are fears that they also may be controlled in the future. News of plans for the concentration of industry is scarce, though some cotton mills have already closed down and a census is being taken in the wool industry of the number of operatives and hours worked. The Government has decided that the maximum price of mixed (or "dredged") corn grown in 1941 shall be 13s. 6d. per cwt. It is announced that the £2 per acre grassland ploughing grants which were due to expire on March 31st have been extended to March 31, 1942.

Raw Cotton Prices.—The control price of cotton is the one at which the

Liverpool futures market finally closed on March 31—9.24d. per lb. for American middling. This is a higher price than has been obtained since January of last year, and it is to remain in force, at any rate until the end of this month. The increase appears to have been a reflection of the American rise which took place on March 28 and 29.

Tin and Rubber.—Licences for this month for tin exports to the United States and other destinations, show no appreciable change from previous months. On Wednesday tin prices reached a lower level than they have done for two weeks, at £268-£280 10s. per ton standard cash, with the three months forward price at £265-£265 5s. The trend of prices has been downwards, as was expected on the easier situation in the Far East.

Rubber prices, on the other hand, continue firm, closing on Wednesday at 14½d. per lb. spot smoked sheet. The level maintained during the past two weeks is the highest for some years. There are fears in the market that official control may be imposed, and the special sub-committee appointed by the London Rubber Trade Association is likely to seek means whereby this can be avoided.

Quota for Upper Leather.—The Control of Leather (No. 2) Order, 1941, Direction No. 3, limits the amount of upper leather that can be acquired without licence during the period April 1 to June 30, 1941, to 75 per cent. of the quantity acquired during the corresponding period in 1940. The Order

(Continued on page 467)

COMPANY MEETINGS

BANK OF SCOTLAND

SATISFACTORY RESULTS DESPITE YEAR'S DIFFICULTIES

STRONG AND LIQUID POSITION

LORD ELPHINSTONE'S ADDRESS

The annual general meeting of the proprietors of the Bank of Scotland was held within the Head Office, Edinburgh, on Tuesday, 1st instant. The Right Honourable Lord Elphinstone, K.T., Governor of the Bank, presided.

In submitting the directors' report, the chairman said: My Lord, Ladies and Gentlemen,—I assume that, as usual, we may hold as read the report by the court of directors of the affairs of the Bank as at February 28th last, a copy of which you have all no doubt received.

The directors much regret the loss by death during the year of Sir Robert Boothby, K.B.E., an esteemed colleague who had given valuable service to the Bank as a member of the board since August, 1922.

The year under review has been a difficult one for all, and as a bank we, like every other section of the community, have had to adapt ourselves to the changing conditions imposed by the war upon the life of the country. We have given our full share of support in financing the country's war needs.

THE BANK'S BALANCE SHEET

You will see that the deposits, which stand at £47,596,106, show an increase of £5,458,990 over the figures of a year ago. This is in large measure due to the expenditure by the Government for general war purposes which comes back to the banks from the recipients in the form of deposits. Another contributing cause of the increase is the restriction of supplies in many trades under conditions of war economy, which means that large sums which normally would be invested by businesses in stock in trade are at the moment lying in the hands of the banks.

The note circulation at £4,884,527 shows an increase of £893,285. This also is largely the result of heavy Government disbursements.

The changes in drafts issued and acceptances do not call for comment.

LIQUID ASSETS

The liquid position of the Bank has been well maintained. Cash, bank balances, documents in transitu, money at call, and short notice and bills discounted (including £250,000 of Treasury Bills) amount to £13,491,117, as against our liabilities to the public of £57,996,568. In addition we show as a further liquid asset this year a new item in Treasury deposit receipts, of which we held £5,000,000. As you are no doubt aware, the Treasury during the year instituted this new method of borrowing the surplus deposits of the banks. The deposit of borrowing the surplus deposits of the banks. The deposit of borrowing the surplus deposits of the banks. The deposit of borrowing the surplus deposits of the banks. There are also our investments, which amount to £29,289,722, giving in all a total of £47,780,840 in liquid assets against our liabilities to the public.

ADVANCES

Our advances at £9,617,247 show a decrease of £891,179.

As in the case of the increase in our deposits the decrease in our advances is due in large measure to war-time conditions. While we are giving extended accommodation to those concerned with the production and distribution of war supplies, as, for example, to manufacturers of armaments, to farmers

for the cultivation of additional land, and to contractors engaged in completing works of defence, the fact that the Government is itself financing directly so many of the national war activities besides restricting the holding of stocks of merchandise for home consumption, has on the other hand limited the borrowing needs of many of our customers. The result as indicated is that the total of our advances shows a decrease. All bad and doubtful debts have been fully provided for. Our investments, as was to be expected, show an increase and stand at £29,289,722. The market value of the investments is considerably in excess of the value in our books.

BANK PREMISES AND HERITABLE PROPERTY

While war conditions have continued to prevent the carrying out of certain contemplated reconstruction at some of our branches, the Bank's property all over the country has been maintained in good condition. The whole properties of the Bank stand in our books at £477,900, a figure which is much below the actual value.

RESULTS FOR THE YEAR

At £253,905 the net profits are £20,643 under those of last year. We are living in abnormal times, and these have brought heavily increased expenses, including among other items those due to staff remuneration and taxation. In addition, the curtailment of our advances and the small rates earned on much of our liquid funds have contributed to the decrease in profits.

	£
The nett profits are	253,905
Add: The balance from last year	153,467
	407,372
Deduct:	
Applied to reserve for contingencies	£70,000
Transferred to Trustees for officers' pension fund	30,000
Dividend at 11 per cent. per annum, less income tax	151,800
	251,800
Leaving to be carried forward	£155,572

BANK STAFF

Of the men on the staff of the Bank 403 have left for military service. That number represents 34 per cent. of our entire staff of men at the outbreak of war, and the indications are that we are likely to lose many more men in the near future. It is with regret that we record that out of this number three have made the supreme sacrifice, and we pay a tribute of honour to their memory. Nine are prisoners of war and eleven have been discharged from the Army as unfit for further service on account of wounds and other causes, and have been reinstated in the Bank's service. One has received the Military Cross for bravery in action, and we offer him our congratulations. To all of our staff, both men and women, on National Service we send greetings from this meeting.

Our remaining permanent staff and our temporary staff have responded admirably to the task of carrying on the essential services the Bank affords to the public under difficult conditions, and to them we express our thanks and appreciation.

Most of these, in addition to their Bank duties, are engaged in their well-earned spare time in voluntary work with one or other of the branches of National Service, and we appreciate with gratitude their devotion to duty and their service to the country.

A special word must be said regarding the staffs of our London offices. In the trying time which they have passed through since the autumn they have carried on their duties with courage and cheerfulness which call forth our admiration and thanks. We much regret that one of their number lost his life in a raid on London in January.

DIVIDEND

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

The motion was agreed to.

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

Mr William Whitelaw, LL.D., and Mr John Parker Watson, W.S., were re-elected ordinary directors.

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

BRITISH ALUMINIUM COMPANY, LIMITED

WORKING TO CAPACITY

At the annual meeting of the British Aluminium Co., Ltd., held at Shrewsbury on the 28th ultimo, Mr R. W. Cooper (chairman of the company) said that the whole of their efforts were being devoted to fulfilling Government requirements. All their establishments were operating to the fullest extent and considerable additions had been made. All their products were essential for munitions of war. In common with other industrialists they regarded with apprehension the effect of the Excess Profits Tax at the present level of 100 per cent. While fully recognising the national need for taxation on a high scale, the rate of this tax left no scope for expenditure essential in any progressive business, and it was depleting liquid resources. They felt that the urgent necessity for revision, in the interests of the future welfare of the country should be recognised. Any proportion which might be freed should not be used for distribution in dividends but retained in the business. The normal rates for depreciation allowed by the Inland Revenue were quite insufficient under existing conditions. Plant and machinery were being operated continuously, giving rise to exceptional wear and tear, and heavy replacements were called for at a cost much in excess of the depreciation allowances. They hoped and believed that this important question would receive sympathetic consideration.

NORWEGIAN AND FRENCH ASSETS

The invasion of Norway and France had deprived them for the time being of their interests in those countries, and it was impossible to say what the value of their assets in these enemy controlled territories might be at the end of the war. They had transferred £100,000 out of the profits of the year to the reserve account, raising it to £2,950,000, and they had taken the precaution of earmarking £500,000 of that account against these assets, fully covering the value at which they stood in the books. They had in addition left upstanding in the accounts the amounts they owed to these subsidiary and associated companies in current account at the date the enemy invaded Norway and France. Dealing with other items in the accounts, he said that capital expenditure during the year amounted to £224,091. Investments in subsidiary companies increased by £51,289 to

£6,185,516, and in allied companies by £287,860 to £1,288,638. Securities were £140,000 higher by purchase of Government bonds. Stocks at £745,208 showed a decrease of £42,719. Cash at £900,652 was reduced by £343,222, but sundry debtors had increased by £472,581 to £1,276,732. The trading profit, after reserving for Excess Profits Tax, amounted to £900,602, as against £1,058,772 in the previous year. Interest and dividends received were lower by £5,415, and the total profit for the year was £912,211, as against £1,075,796, a reduction of £163,585. They recommended a final dividend of 7 per cent. on the ordinary stock, making 10 per cent. for the year.

About 100 of the staff and 700 other employees were in the armed forces; a considerable number had been lent to Government departments, and many were enrolled in the Home Guard and Civil Defence. The much depleted staff and employees had particularly strenuous work and had responded wholeheartedly. National Savings Groups had been established at their head office and all their works.

The report was adopted.

GOODE DURRANT AND MURRAY, LIMITED

The forty-second ordinary general meeting of Goode Durrant and Murray, Ltd., was held on the 31st ultimo at Hindhead, Surrey. Mr J. Hewitt, who presided, said: I must express the Board's regret at the delay in producing the company's balance-sheet for the year ended July 20, 1940, the necessary documents for the completion of which had not arrived from Australia. Furthermore, we were faced with the knowledge that the Australian Government were about to introduce new taxation, and since that time additional taxation has been imposed. Unfortunately, we were unable to earn sufficient profit entirely to wipe out the debit balance of £32,758 brought forward from 1939. This, however, has now been reduced to £13,746, and we have every reason to hope that during the present year this debit will be entirely eliminated. Our stocks show an increase of £102,085, due to the rise in value of merchandise and to the greater quantity of goods taken into stock before the commencement of the season. Our increased turnover is reflected in the increase in sundry debtors and bills receivable.

The balance of the debt due to us by the C.T.C. Bazaars (S.A.), Ltd., is £146,260, after deducting £25,811, the amount received as a distribution of 3s. in the £. Since the date of this balance-sheet a further dividend of 2s. in the £, amounting to £17,207, has been received, and at the present moment negotiations are proceeding for a Debenture issue by the C.T.C. Bazaars (S.A.), Ltd., which should result in a further distribution of 10s. in the £ to all the creditors. Your directors feel that, providing no dislocation of trading in Australia is experienced, a further definite improvement in the company's balance-sheet for the current trading period should result.

The report was unanimously adopted.

To Overseas Readers

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

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

Enquiries should be addressed to the

Intelligence Branch,
THE ECONOMIST
8 Bouverie Street, London, E.C.4

THE HOME AND COLONIAL STORES, LIMITED

SATISFACTORY TRADING RESULTS

INEQUITABLE TAXATION OF COMMERCIAL UNDERTAKINGS

PLEA FOR EXPERT AND IMPARTIAL INQUIRY

SIR GEORGE SCHUSTER'S ANNUAL REVIEW

The forty-sixth ordinary general meeting of the Home and Colonial Stores, Limited, will be held in London on April 25th.

The following is a summary of the statement which will be issued by the chairman of the company, Sir George Schuster, K.C.S.I., K.C.M.G., C.B.E., M.C., M.P., in lieu of a full speech:—

TRADING RESULTS

The trading profits for the past year can, in the circumstances which have prevailed, be regarded as distinctly satisfactory. The consolidated group trading results included—subsidiaries, together with receipts from other holdings and investments. These show that the group trading profits for the last three years after providing for allocations for depreciation, renewals, etc., but before providing for taxation, worked out as follows:—

	£
1938	548,763
1939	992,833
1940	849,948

As I explained last year, the results for the first nine months of 1939 showed that the reorganisation plan started at the end of 1935 was beginning to bear fruit, and although in the last three months profits were swollen as a result of the very heavy public buying at the beginning of the war, we should even without this have had a very good year. For 1940 conditions have been much affected by war measures, rationing and Government control. Nevertheless, the results confirm our view that if it had not been for the war our reorganisation would have proved its success and profits might well have been appreciably higher than those actually earned. The provision, however, for taxation has been so heavy that, although we were able in 1938 to pay 3 per cent. on the ordinary shares and strengthen our group reserves and carry-forward by £86,000, for 1940 with trading profits £300,000 higher we can pay no ordinary dividend and can only meet our prior charges by depleting our reserve by about £48,000. I shall deal fully with the taxation position in a later paragraph.

As to the future trading prospects it is difficult to make any reliable forecast. Our power to earn profits depends entirely on the availability of supplies and Government policy as regards rationing and price control. It seems safe to predict that conditions will be more difficult in 1941 than they have been in 1940.

ADMINISTRATIVE AND STAFF ARRANGEMENTS

The chairman went on to state that administrative arrangements, including alternative office accommodation, had worked satisfactorily, while the directors wished to record their appreciation of the splendid way in which the staff at head offices, warehouses, factories and branches had carried out their duties in war conditions. There had been substantial changes in the composition of the branch staff. Taking all the associated companies together, up to the end of 1940 7,725 male employees had left their service, of whom 6,000 were enrolled in H.M. Forces. In replacement 6,250 women employees had been recruited and trained. The companies were at all times willing to help the national effort, but he hoped that the Government would make it clear that women who had replaced men in the

important business of food distribution would be encouraged to remain in their occupation until there was a realised and urgent demand for munition work and all other sources had been exhausted.

NUMBER OF BRANCHES

In view of the contraction of business, a policy of judicious concentration had been carried out, and the companies of the group had closed in all about 140 branches since the beginning of the war. He trusted that if the President of the Board of Trade proceeded with the concentration of the retail trade on the lines of the plans for the concentration of industry, account would be taken of the concentration which these companies had already effected.

TAXATION POSITION

The chairman proceeded to review the taxation position, explaining that final assessments for Excess Profits Tax and income tax had not yet been made and that the company's liability was still under discussion. While they hoped that these discussions might be favourable, nevertheless the figures provided in the accounts were based on advice received as to the interpretation of the existing provisions.

"I wish to emphasise," the chairman proceeded, "that I make the following observations in no spirit of complaint against heavy burdens. Heavy burdens are necessary at this time, since the money has to be found for the national effort and there must be no complaint by any section of the community against bearing its fair share. But I venture to think that the experience of our company indicates that in some respects the methods by which taxes are at present assessed and levied on commercial undertakings may in the long run prove contrary to the national interest."

HEAVY DRAIN ON CASH RESOURCES

"The position has been presented very clearly in the two analytical tables which are included in the directors' report. I have already given a comparison between 1938 and 1940 based on these tables. But perhaps a still more striking result is that in 1938 out of total group profits of £548,000 taxation provision took £188,000, leaving a net balance of £360,000 available for distribution or addition to reserve, while for 1940 out of profits of £850,000 no less than £712,000 was required for taxation, leaving a net free residue of only £138,000."

"I may add that, as already explained, the extra £300,000 earned in 1940 does not represent 'war profits'; that as a result of the taxation provisions it is only possible to meet our prior charges by drawing on reserve to the extent of £48,000; and, lastly, that the parent company and its two main subsidiaries have to provide £82,500 to meet the proportion of the estimated War Damage Contributions attributable to the period ending December 31, 1940. It is to the heavy drain on cash resources involved in these results that I wish to direct special attention."

EXCESS PROFITS TAX

The main reason for increase of taxation was, of course, Excess Profits Tax. It had been clear from the outset that this

would work out harshly in their case because the standard years, 1935-37, were the years of the company's reorganisation, when profits were abnormally low. In fact the average annual figure of group profits for these three years was about £470,000 less than the average for the preceding four years and about £500,000 less than for the subsequent three years. The possibility of such hard cases had been recognised in the Finance Act, which allowed for an appeal for an alternative standard which might be based on a rate of interest on the capital employed in the business. But here again this group was apparently in a specially unfortunate position. For the purpose of assessing its capital it had to bring in not the shares which it holds in its wholly owned subsidiaries (such as Lipton and Meadow) but the actual assets of such subsidiaries. An important element in the purchase price of the subsidiaries when acquired was payment for goodwill; but as the acquisition was effected not by a direct purchase of the undertaking from the shareholders but by a purchase of their shares, the goodwill was in effect paid for by paying a premium on the shares. As a result, goodwill was not shown as an asset in the balance-sheet. It had, however, in reality been paid for and ought to be included. If the goodwill asset were included there would be an improvement in the company's profit standard of about £180,000. This would substantially improve the position, though even then the standard would not be brought up to what might fairly be regarded as normal earning power. The company was pressing to be allowed to include the goodwill item in its capital, but it was questionable whether this could be done without amending legislation.

INCOME TAX

Income tax provisions as at present interpreted also operated very harshly on the company. The figures in the report showed that the company was making a reservation of £122,139 for income tax, this of course being additional to the tax to be borne by shareholders on the dividends paid out to them. The main reason necessitating this provision was that the Revenue authorities refused to treat as expenditure chargeable against profits a number of items which it was necessary to provide for before arriving at true profits. The amounts thus provided had been carefully calculated according to what was required to finance repairs, replacements and renewals and to maintain the value of the company's assets, and the provision did not represent an attempt to build up hidden reserves, but was no more than what ordinary prudence dictated. After explaining the nature of the disallowed items the chairman went on to state that the total net amount of these in the past year's accounts for the whole group amounted to about £141,000. The result of this disallowance was extremely onerous, for sufficient cash had to be earned to provide £141,000 after payment of income tax.

The problem of the income-tax burden on the "disallowed" items had, of course, always existed, but it had become very much more serious now that the tax had reached its present high rate. To illustrate this the following example might be taken. If the "disallowed" items were £150,000 and the rate of income tax was 5s. in the £, then it was necessary to earn profits of £200,000 to provide the net sum of £150,000. But if the tax was raised to 10s. then a gross sum of £300,000 had to be earned in order to provide the same net sum of £150,000. In other words, an additional £100,000 had to be earned. But with Excess Profits Tax at 100 per cent. there was no chance of earning any additional profits.

COMPULSORY WAR DAMAGE PREMIUM

The drain on the company's cash resources in taxation would be further increased by war damage contribution payments. The total required in contributions up to August 31, 1941, from the Home and Colonial Stores and its main subsidiaries were estimated at about £122,000. Of this, £82,500 represented the proportion payable up to the end of 1940 (£35,000 for Home and Colonial, £22,500 for Lipton, and £25,000 for Meadow). No complaint could be made about the Government scheme, but the fact that these contributions were not allowed as an expense deductible from profits before assessment of Excess

Profits Tax and income tax made it impossible for a company subjected to an Excess Profits Tax burden such as he had described to provide for these payments out of revenue except at the cost of failing to meet its prior charges. To provide a cash sum of £82,500 from taxed revenue with income tax at 8s. 6d. it would be necessary to earn an extra trading profit of £143,500. Excess Profits Tax, however, made this impossible. In the circumstances the directors proposed to make the provision from reserves and to review the position when the Government scheme was reconsidered after August 31, 1941.

INEQUITY OF TAXATION PROVISIONS

Proceeding, the chairman said: I have dealt with these matters at some length because I think it important that the shareholders and the public should realise what the present taxation provisions involve. There are two main points to be brought out. The first is that the Excess Profits Tax provisions are so framed as to work out in a most inequitable way as between one company and another. The second is that the combined effect of (a) Excess Profits Tax on its present basis, (b) the method by which liability for income tax is assessed, and (c) the compulsory levy of war damage contributions which are not allowed as a business expense, may be to drain the financial resources of business undertakings in a manner which may gravely prejudice their power to cope with the difficulties which will arise with the prolongation of the war and in the post-war period.

To ask the Government to give serious attention to these two points does not imply any unreadiness to accept a proper share in burdens necessary to finance the war. The burdens have got to be borne; but it cannot be right, nor in the long run can it be in the public interest, that these burdens should be distributed with clear inequity as between one particular undertaking and another.

A DANGEROUS AND FICTITIOUS SITUATION

It cannot be in the public interest that taxation should lead to unsound business. I wish to represent very emphatically that taxation methods should not be so framed as to make it impossible for efficiently conducted undertakings to maintain a sound financial structure by making adequate provision for repairs, replacements and renewals. It may be that in time of war it is in the public interest that actual expenditure on these purposes should be curtailed or deferred, and if, as might happen in some cases, surplus cash balances are built up as a result, there might well be compulsory provisions for the investment of these in Government securities. But if business undertakings are prevented from making proper financial provision year by year for normal repairs and replacements, then the whole economic enterprise of the country may find itself ultimately in a dangerously weak position which might even require State intervention on a large scale. I do not wish to exaggerate the effect of the existing measures, but, judging by our own position, I feel that there is strong ground for saying that to force business undertakings to make disbursements for tax payments on the present scale—which often can only be provided for by borrowing—must tend to create a fictitious and dangerous situation, fictitious in the sense that it is not providing genuine means for paying for the war and dangerous because it is likely to undermine the financial stability of the business structure of the country.

IMPARTIAL ENQUIRY URGED

There are many other issues, particularly the effects on efficiency and economy in operation of levying Excess Profits Tax at 100 per cent. These issues are of great importance, but I deliberately refrain from enlarging on them, partly because they have been much ventilated by others, and partly because they are not of such material significance in our own case as those which I have mentioned. Our object is to maintain the efficiency of our organisation and the support of the public, so that when we revert to normal conditions our capacity to maintain a good business (including the power to pay good wages and to earn reasonable dividends) remains intact. The

ASSOCIATED ELECTRICAL INDUSTRIES, LIMITED

GRATIFYING RESULTS

The forty-first annual general meeting of Associated Electrical Industries, Limited, was held, on the 1st instant, in London. Sir Felix J. C. Pole (the chairman) presiding.

The chairman, in the course of his speech, said: Dealing now with the accounts, you will see from the profit and loss account that the gross profit for the year was £1,709,695, compared with £1,470,263, an increase of £239,430 or 16.2 per cent. over the previous year. After charging £261,283, against £234,956, for depreciation of the plant, etc., of Metropolitan-Vickers Electrical Company, Limited, and £992,900, against £758,226 for taxation, the net profit was £21,571 lower at £455,512. You will note that we are nearing the million mark for taxation, having provided out of our profits £992,900, or 58.2 per cent., against 51.6 per cent. a year ago, an increase of £234,674.

As I have said, the net profit for the year was £455,512; to this has to be added £253,118, the balance brought forward from the previous year, making a total profit available for distribution of £708,630. From this we have again appropriated £100,000 to the dividend equalisation reserve account, increasing it to £400,000, as to which I may repeat what I have said at former meetings that our policy is to keep dividends on an even basis and thereby to retain the interest of a stable body of stockholders. The equalisation reserve now represents a little over 14 per cent. gross on our ordinary issued stock.

After providing for dividends on preferred stock £60,152, there remains £548,478, and your directors recommend a dividend on the ordinary stock of 10 per cent. per annum, less tax, leaving a balance to be carried forward of £265,472, as compared with £253,118 brought in from the previous year.

BALANCE-SHEET ITEMS

Dealing now with our balance-sheet: You will see that creditors, loans, accrued charges and reserves for contingencies (£5,488,567), and amounts owing by subsidiary companies (£123,814), a total of £5,612,381, show an increase of £1,737,074. The loan from bankers was paid off last year.

On the assets side shareholdings and debentures in subsidiary companies and investments other than in British Government securities total £4,208,436, a decrease of £111,281, the reduction being due mainly to writing down the book value of certain investments. The total book value of our investments, however, is very substantially below their real worth.

The stocks and materials on hand, debtors, etc., amounting to £6,550,323, show an increase of £1,181,849. Cash and British Government securities at £964,061 show an increase of £492,099.

We have again published a consolidated balance-sheet showing the position of the associated group as a single unit. The most important feature to which I should direct your attention is the strength of the group as reflected by the capital reserve account and the general reserves and profit and loss accounts, which items have increased by £220,240, to £3,552,851, a total which represents 72 per cent. on our ordinary capital.

DEEDS MORE IMPORTANT THAN WORDS

In present circumstances you will not expect me to say much about our activities. We are living in a time when deeds are more important than words. I may tell you, however, that when the Government urged manufacturers to speed up production there was a most gratifying and enthusiastic response at all the works. We are very busy, and our sole object now is to play our part in making the greatest contribution in our power towards winning the war. When peace is restored I am sure we shall be equally active in maintaining our position as leaders in the electrical manufacturing industry.

It is customary at our annual meeting to express thanks to our executive directors, officers, and all ranks and grades of employees. This year I feel that if possible we should do this even more heartily than usual, because most splendid service has been rendered throughout a trying year. Work has been well and cheerfully done, often in dangerous conditions, and I cannot speak too highly or sufficiently express appreciation of this.

The report and accounts were unanimously adopted.

fact that during the war the profits of the business go to the Government rather than to the shareholders—though keen sympathy is felt for the shareholders—does not influence our administration. What I have been pleading for is that the Government which has now in effect stepped into the position of being our sole ordinary shareholder should not force us to distribute to itself in cash far more than we know to be consistent with the prudent conduct of our business.

The points which I have raised concern the income-tax position just as much as Excess Profits Tax and their force will remain even if there should be some reduction in the latter. What, in conclusion, I wish very strongly to urge is that the Government should take steps to have an expert and impartial inquiry made into the effects of present taxation on the efficiency and stability of this country's manufacturing and trading organisation.

CONFIDENCE IN THE OUTLOOK

In conclusion the chairman said that they intended to do their utmost to maintain full payment of their prior charges, drawing on reserves if necessary, but that they regretted that in spite of very good trading profits the payment of a dividend on the ordinary shares had been impossible and appeared likely to remain so until the present taxation measures were modified. Looking ahead, however, the most important matter from the shareholders' point of view was to maintain the organisation and goodwill of the companies unimpaired and even to take advantage of war difficulties to improve it. That was the subject of their constant attention, and if that could be done the shareholders would reap the reward when the war was over, and that was in the long run of far more importance than the level of dividends during the war. In that spirit they felt that the shareholders could look forward to the ultimate future with cheerful confidence.

BEIRA RAILWAY COMPANY, LIMITED

INCREASED TONNAGE CARRIED

The fortieth ordinary general meeting of this Company was held, on the 1st instant, in London, Mr. Arthur E. Hadley, C.B.E. (the chairman), presiding.

The chairman, in the course of his speech, said: The gross revenue at £905,967 was £65,071 lower than that of the previous year, but as expenditure was also lower by £20,043 the net revenue declined by £45,023 only. This reduction in expenditure in face of an increased tonnage carried must be regarded as very satisfactory. The percentage of expenditure to receipts increased by only 1.2 per cent. to 49.9 per cent., which is still on the low side.

The decrease in gross revenue was principally due to the decline of import traffic, on which we get higher rates than on exports.

The net earnings from the line amounted to £453,005, a decrease of £45,023 on last year, to which I have already referred.

The result of the year's working is a surplus of £125,749, and, adding £47,785 brought forward from the previous year's account, there is a total available surplus of £173,534. It is proposed that a dividend of 2s. per share, less tax at 5s. 5d. in the pound, be paid, absorbing a gross amount of £105,000; that £20,000 be transferred to dividend equalisation reserve, making that reserve £100,000; and that the balance of £48,534 be carried forward to next account.

With respect to the current financial year, we have had up to the present traffic receipts for four months—October, 1940, to January, 1941. Net earnings for these four months amounted to £186,577, as compared with £148,304 in the previous year, or a decline of £11,727. There has been up till now little or no improvement in import traffic, but export traffic continues good. It is impossible for me in present conditions to foretell what may happen to traffics in the next few months, but an improvement in imports would make a substantial difference to our net receipts.

The report and accounts were unanimously adopted.

MAYPOLE DAIRY COMPANY, LIMITED

DIFFICULTIES OF WAR-TIME TRADING

PENALISING EFFECTS OF TAXATION

SIR GEORGE SCHUSTER'S REVIEW

The forty-third ordinary general meeting of the Maypole Dairy Company, Limited, will be held in London on the 25th instant.

The following is a summary of the statement which will be issued by the chairman of the company, Sir George Schuster, K.C.S.I., K.C.M.G., C.B.E., M.C., M.P., in lieu of a speech:—

TRADING RESULTS

The trading profits for the past year may, considering the conditions which prevailed, be considered very satisfactory. The table set out in the directors' report shows in fact that the net trading profit for 1940, after making full provision for depreciation but before providing for taxation, was £393,531—an amount almost exactly equivalent to the profit for 1938, when the company was able to distribute a dividend of 9 per cent. on the deferred ordinary shares. I feel it right to explain, however, that many of the factors arising out of the war which affect the company's position only began to operate as the year progressed, and we find ourselves at the beginning of 1941 facing a situation of considerably greater restriction and difficulty than that which existed in the early part of 1940. The Maypole Company has always specialised in certain main lines—butter, margarine, cheese, eggs, tea and jam—and as specialists has attracted a very large trade in these commodities. Butter, margarine and tea were subjected to rationing during 1940. Cheese and jam are now to follow, while eggs have been in short supply, and the loss of the company's Danish stations has inevitably affected this section of the business. The company's field of trade has thus been much restricted by war conditions, and the full effect of these restrictions has not yet been felt.

NEW LINES INTRODUCED

As against this, a number of new lines have been introduced with encouraging results, though it is not to be expected that new lines, especially in present conditions, could in any sense replace the loss of turnover in the company's principal commodities. No opportunity is, however, being missed for replacing turnover lost on the standard lines.

The company's egg collecting and packing stations at Worcester, Preston and York have rendered useful service in helping to keep "Maypole" branches supplied with first-grade home-produced eggs. This service has proved especially helpful both to the company and its customers in view of the reduction in supplies of imported eggs.

The removal of a section of the head office staff to the provinces has now been followed by the transfer of practically the whole headquarters organisation to the provincial office. The arrangements have been well planned and are working most satisfactorily.

TRIBUTE TO STAFF

The company's staff (head office, inspection and branch staff) have as always done admirable work and have shown up especially well on occasions of air raids. Managers and staff have responded with willingness and enthusiasm to all special calls, while punctual attendances in spite of transport and other difficulties have been a notable feature. The directors feel sure that the shareholders will be glad to know how well the staff have served their interests.

The staff position generally has been affected by restriction in trade and the calling up of large numbers of male employees for service with H.M. Forces. While, therefore, on the one hand, close attention is being given to the call for rigid economy in expenditure, it has at the same time been necessary to make provision for the engagement and training of a large new female staff. By the end of 1940, 1,622 members of the Maypole staff (not including subsidiaries) had joined H.M. Forces. Altogether 2,520 members of the male staff have left the company's service since the beginning of the war and 1,122 have been added to the female staff, including those engaged just prior to September, 1939, in anticipation of the calling up of male staff.

BURDEN OF TAXATION

I have left until the end the matter of taxation, although in fact this has been far the most important factor affecting the profits available for distribution to shareholders. In order to show the situation clearly we have this year included with the directors' report and accounts two tables showing the results for the last three years in a way which brings out how the burden of taxation has increased. Perhaps the most striking fact brought out is in the second table in comparison between 1938 (the last complete pre-war year) and 1940. It happens that the net profit after providing for depreciation was almost exactly the same in the two years. In 1938 taxation payable by the company and its shareholders absorbed in round figures £133,000, leaving £262,000 available for the shareholders and for strengthening the company's reserves, whereas in 1940 provisions for taxation absorb £262,000, leaving a free residue of only £131,000. These figures, moreover, take no account of the cash required for compulsory War Damage contributions.

EXCESS PROFITS TAX

The most important item of increased taxation is the Excess Profits Tax. The company's position here is not a very fortunate one, as the average annual profit for the standard years (1936 and 1937) amounted to a figure definitely less than what could fairly be regarded as the company's earning power in normal conditions. The profits, therefore, which in our case attract Excess Profits Tax can hardly be said to represent true war profits. I have already called attention to the fact that the trading profits shown in the accounts for 1940 are almost exactly the same as those for 1938, and yet it is necessary to reserve £105,000 for Excess Profits Tax (calculating this at 90 per cent.—that is, on a basis of 60 per cent. for one quarter and 100 per cent. for the remaining three-quarters of the year). The company's assessment has not yet been finally agreed and is still under discussion. The directors are, however, advised that on an interpretation of the provisions which may be adopted this reserve of £105,000 is not excessive.

INCOME TAX

The company's position is also greatly affected by the way in which the Revenue authorities calculate the amount of profits liable to taxation, and this concerns not only Excess Profits Tax but income tax. As regards income tax, for example, shareholders who themselves have to pay the tax on that part of the profits which is distributed to them in dividends may find it difficult to understand why, in respect of 1940, it has been necessary for the directors to reserve a further

sum of £75,000 in the accounts to meet income-tax liabilities. The position is a complicated one; but it may be stated as follows. Income tax is not assessed on the profits of the business calculated in accordance with ordinary prudent commercial practice, as certain items of expenditure and other provisions which a business must debit to revenue if it is to maintain its liquid resources and show its capital assets at their correct current value are disallowed for purposes of income tax. The result is that tax is levied on a figure in excess of what the directors consider they can fairly represent as true profit. Apart from the question of war damage expenditure, which requires special explanation, the principal items of "disallowed" expenditure occur under the headings of amounts written off in respect of fittings of closed shops, depreciation of shop fittings in excess of renewals allowed, depreciation of properties and special expenditure in connection with A.R.P. shelters which is only partly recoverable by Government grant in certain special cases.

"DISALLOWED" EXPENDITURE

In the 1940 accounts the net amount which is likely to be "disallowed" is £61,766. This has a very important effect on the position with income tax at the present high rate of 8s. 6d.; direct tax on this sum at this rate amounts to £26,250, but the full effect can be more clearly seen by taking the actual figures in the 1940 accounts. After deducting from the net trading profit of £393,531 the sum of £105,000 reserved for Excess Profits Tax and £193,833 representing dividends paid or recommended, there remains a balance of £94,698, to which the shareholders might have looked for further dividend. Income tax, however, on this figure requires £40,248, while income tax on the disallowed items, as already stated, absorbs £26,250. Arrears of tax due to adjustments for past years call for a further £8,502. These three items together make up £75,000, which leaves a free balance of only £19,698, out of which £10,000 has to be set aside according to the articles for allocation to reserve, leaving a balance of £9,698, which is more than absorbed by the necessary allotment of £10,000 to the provident fund. The whole of the £94,698 is therefore absorbed—mainly by income tax requirements.

No public-spirited citizen can object to paying heavy taxes in present times, for the money required for the country's war effort must somehow or other be raised. It does, however, appear legitimate to question whether the present methods of levying taxes on commercial undertakings are not likely in the long run to be damaging to the country's interests. That question in the case of the Maypole Company arises particularly in connection with the way in which the provisions for refitting and maintaining the branch fixtures and fittings are treated. It is here that the most important item of disallowed expenditure occurs. For instance, in the case of expenditure on refitment and repairs to branch fittings the basis adopted by the Revenue Authorities in the case of this company is that only money actually spent in any year is to be allowed as expenditure. In 1940 much less than the average amount required has been spent, but further provision has been made in the accounts to cover the difference. The money will have to be spent at some time, and to leave the accumulated liability to be met out of possible earnings in some future year would be very unsound practice. We consider that a strong case can be made out for allowing such provisions as a deduction from profits for tax purposes, but it is understood that, although some measure of relief may be given for Excess Profits Tax, no relief will be allowed for income tax until the money is actually expended.

WAR DAMAGE COMPENSATION

In addition to the cash required for meeting tax liabilities, provision has also to be made for compulsory payments under the Government's War Damage Scheme. We estimate the total liability of the Maypole Company and its subsidiaries for contributions covering the period from the beginning of the war to August 31, 1941, to amount to £51,000. The proportion of this sum falling to the period up to the end of the last trading year would be about £35,000, which amount we are providing as a charge against reserve. According to the Government's

scheme, this item is not allowable as a deduction from revenue for the purpose of Excess Profits Tax and income tax. In the circumstances the directors have considered that, having regard to the provision already made in the accounts for repairs and renewals in excess of actual expenditure, it would have put an undue burden on the shareholders if they had in addition recommended providing the War Damage contribution from revenue as well. This is an occasion where the conservative policy which has been followed in the past as regards the distribution of profits appears to justify some recourse to reserves in order to maintain a small dividend on the deferred ordinary shares. The future, however, as regards War Damage is still uncertain and, if the war continues, the Government will have to reconsider its scheme after August 31, 1941. It may be necessary then for the directors to review the matter as regards future policy. I may add that during the past year emergency repairs have been carried out in the case of damaged branches, and the cost of these, amounting in all to about £7,000, has been debited to the accounts as a working expense. This sum, it is anticipated, will eventually be recovered as compensation under the Government scheme.

BOARD'S POLICY

In proposing the allocation of profits the directors have endeavoured fairly to meet the interests of the shareholders, and to go as far as possible without risking any undue weakening of the company's financial resources. We greatly regret that it has been necessary to make a cut in the dividend from 7 per cent. to 4 per cent., but this necessity is more than accounted for by the taxation position. The future may bring greater difficulties, but the directors feel that the most important point of all is to maintain the organisation and goodwill of the company unimpaired and even to improve it. If that can be done, the shareholders will reap the reward when the war is over, and that is of much greater importance than the level of earnings during the war. In that spirit we feel that the shareholders can look forward to the ultimate future with complete and cheerful confidence.

VICKERS LIMITED

SEVENTY-FOURTH ANNUAL GENERAL MEETING

The annual general meeting of Vickers Limited was held on the 3rd instant at Vickers House, Broadway, Westminster, presided over by Mr. A. A. Jamieson, the chairman of the company.

The chairman's statement, circulated with the accounts, contained the following remarks:—

I can give my assurance that the whole strength and energy of this group of companies are directed to ensure that punctual deliveries of our products are made to the Service Departments.

The accounts submitted are evidence that the business affairs of the company are in sound condition and only two items appear to require elucidation. Firstly, the Metropolitan-Cammell Company repaid the balance of debenture stock outstanding; secondly, the dividends on the preference stocks are shown this year after deduction of tax.

I desire to acknowledge the co-operation of the Service Departments in our efforts to carry on production in spite of the difficult conditions inevitably existing in war-time, and I record with real gratitude the courage and determination of those of our workpeople who have faced severe trials. The work of those employees who have given up their leisure to train themselves in A.R.P. duties has proved invaluable in emergency.

During the past year there have been many difficulties to overcome, but the staff and workpeople in this group of companies have proved that they are competent to foresee and to overcome difficulties which appeared to be truly formidable.

Schemes have been formulated for each of the works in order to encourage savings in War Savings Certificates, and more than 600,000 Certificates have been applied for through the medium of these schemes during 1940.

At the request of the Government the services of Sir Charles Craven were placed at their disposal in May; at my request he was released in November from his duties with the Government in order to resume his position with this organisation.

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

BRITISH INSULATED CABLES,
LIMITED

TRADING PROFIT MAINTAINED

The forty-fifth ordinary general meeting of British Insulated Cables, Limited, was held on the 1st instant, at Liverpool, Mr T. H. Martin-Harvey (acting chairman of the board and joint managing director) presiding.

Before proceeding with the business of the meeting, the acting chairman referred in sympathetic terms to the sudden death, on March 21 last, of Mr. J. McKay, a member of the board.

The following is a summary of the statement circulated with the directors' report and accounts: Before dealing with the accounts for 1940, there are several matters relating to personnel which call for special mention. The first is to record the absence of the chairman of the board, Sir Alexander Roger, in India, who deeply regrets his inability to be present at the annual meeting. The second is to refer to the death, in October last, of Mr G. H. Nisbett, deputy-chairman of the board. Mr T. H. Martin-Harvey and Mr W. Travis, both of whom joined the board in 1935, were appointed joint managing directors as from June 1, 1940.

PROFIT AND LOSS ACCOUNT

The profit and loss account for the year to December 31, 1940, shows that the profit on trading, dividends on investments, etc., after providing for taxation and contingent reserves adjustment, amounted to £786,232—a result which shows practically no change from the corresponding figures for 1939 and is considered by your directors to be satisfactory.

The amount brought forward from 1939 of £488,305, added to the profit for 1940 of £786,232, gives a total of £1,274,537. Depreciation of fixed assets absorbs £209,622, and, after providing for directors' remuneration, interest on debenture stock (which naturally shows a very substantial reduction as a result of the redemption of the debentures on January 4, 1940) and the dividends already declared and paid on the preference and ordinary capital, there is left available £988,699. Of this total it is proposed to transfer £100,000 to war contingencies reserve and to pay a final dividend of 10 per cent (less tax) on the ordinary stock, making, with the interim already paid, a total dividend for the fifteenth year in succession of 15 per cent (less tax). In addition your directors are pleased to recommend that for the sixth successive year a cash bonus of 5 per cent (less tax) be distributed on the ordinary stock. After making these appropriations, the balance left to be carried forward to 1941 is £488,699—a figure almost identical with that brought forward.

There are two items in the profit and loss account to which particular attention is drawn. The first is that depreciation of fixed assets in 1940 calls for £209,622, against £158,617 for the previous year, an increase of £51,005. Although the same basic rates of depreciation have been applied in both years, it has been necessary to provide in 1940 for the extra depreciation being suffered by certain of our assets as a result of operating under war conditions. The second is the transfer of a further £100,000 to war contingencies reserve account, bringing the total of the latter up to £200,000. The reasons for creating this reserve were given in the chairman's speech at the last annual general meeting, and after another year of war it is considered more than ever necessary to build up a substantial reserve under this head.

REVIEW OF COMPANY'S BUSINESS

In past years it has been the custom at the annual general meeting to refer to the more important matters connected with or affecting the company's business, and to give some indication of the outlook for the current year. It will be appreciated, however, that under existing conditions it would be inadvisable to give any detailed account of the activities of your company or to make any forecast of current results.

In conclusion, it is a pleasure to record that the company's staff and workpeople have responded magnificently to all calls made on them, and our special thanks are due to them for their loyal and unceasing efforts.

The report and accounts were unanimously adopted.

BRITISH ROPES, LIMITED

STRONG FINANCIAL POSITION

The nineteenth ordinary general meeting of this company was held on the 31st ultimo at Leeds.

Mr Herbert Smith (chairman and managing director) said that the imposition of an EPT rate of 100 per cent. had been the subject of much comment, and the opinion of many seemed to be that that tax took away the incentive to efficient management of a business. As far as their company was concerned, their profit standard had been fixed in years of development so that there was undoubtedly a certain amount of hardship. However, he saw no reason why they should not at least maintain their profit standard and the present rate of dividends, unless they were so unfortunate as to lose their productive assets through enemy action.

Their balance-sheet exhibited a strong and healthy position, and every effort would be made to retain that position during the dark days of wartime. He hoped that the existing structure would be left intact after the war, so that they might be in a position to face peacetime conditions with confidence.

Their various subsidiary companies, both at home and abroad, were fully occupied. Each one of them was employed, one way or another, in supplying Government requirements. Each company was recording larger profits than in previous years, but there again the incidence of taxation absorbed the major portion of that surplus.

Home trade during the year had continued at a high level, and while the company had done its full share in supplying the fighting services, it had also of necessity had to meet the demands of its peacetime customers, practically all of whom were dealing with urgent Government demands for their own services and products. The necessary restrictions on the export of steel goods had naturally stopped a large volume of export trade in steel wire and wire ropes, but the loss of that business had been more than made up by the Government demand for wartime requirements.

The report was adopted.

HOOVER, LIMITED

INCREASED TRADING PROFIT

The ordinary general meeting of Hoover, Ltd., was held, on the 31st ultimo, at the registered office, Perivale, Greenford. Mr. C. B. Colston (chairman and joint managing director) presided.

The chairman said: The accounts have been prepared in the same manner as in previous years. We have appropriated £150,000 for income tax and National Defence Contribution, which increases our reserve to £50,000 in excess of immediate requirements.

No transfer is being made to general reserve, which remains at £100,000, but we have appropriated the sum of £50,000 as a contingency fund.

The profit on trading for the year is £290,486, compared with £248,412 last year, which your directors regard as a very satisfactory achievement, and therefore recommend a final dividend of 11½ per cent. on the ordinary stock, which makes a dividend for the year of 15 per cent.

I feel I should explain in regard to our profit this year that in the early months of the year, when stocks of Hoover Cleaners were considerable, the demand for these cleaners was so great that we were able to effect a considerable reduction in our selling expenses.

Air-raid protection and our A.R.P. organisation has reached a higher standard of efficiency. Our War Savings Group is still playing its part and is carrying on its work energetically. Ever encouragement is given to our workers to contribute to War Savings.

The relationship of the company with its employees is very cordial, and your directors are very grateful to them for their untiring energies. I would like to thank all ranks for their devoted and loyal services. You will all be glad to hear that one of our employees suggested the presentation of a Spitfire to the Government; consequently a Spitfire Fund was started with the result that this company, on behalf of our worker presented a cheque last September to Lord Beaverbrook for £5,000.

The report was adopted.

MAPLE AND COMPANY, LIMITED

CENTENARY OF SUCCESSFUL BUSINESS

The annual general meeting of Maple and Company, Limited, was held, on the 28th ultimo, in London.

Mr C. C. Regnart (the president) said that 1941 heralded the centenary of Maples. It was a matter of extreme regret that, owing to existing conditions, the centenary could not be celebrated in a fitting manner, but they were hoping that at some future date they would be in a position to do so. He hoped it was gratifying to all that it was proposed to resume payment of dividends on the ordinary stock. The previous year's interruption had been the only one in the company's history, occasioned entirely by prevailing conditions. It was surprising, however, how a sound business could adapt itself to new conditions, and it was little short of amazing how new circumstances could be met, when the means and ability to make full use of them were available.

Maples was still a household word, and, despite war difficulties, they were convinced that the popularity of the company

had increased during the year, due to the wonderful reputation which Maples held, and that they had received a larger share of the available trade than ever before. They felt certain that the reasons were the large stocks they carried, the service they gave, and the resources they had at their disposal, enabling them to meet any public need. Maples had a vast stock, nearly all bought prior to the introduction of the purchase tax, and their customers still had the opportunity to purchase from the largest stock of furniture, carpets and furnishings in the world, free of purchase tax, all they might require to replenish their homes. The turnover had been the highest since 1920 and the numbers employed constituted a record. That would indicate the vast expansion of their trade, although the margin of net profit might be small.

Their branches had met with a reasonable measure of success. Their interests in South America had again yielded a reasonable return. On the other hand, they had no direct information in regard to their interests in France.

The report and accounts, with the recommendation of a dividend of 5 per cent. on the ordinary stock, was unanimously adopted.

(Continued from page 458)

applies to any person who is not a merchant, factor or importer of upper leather or a manufacturer or other producer of footwear. Arrangements are being made by the Director of Civilian Leather Supplies for the acquisition of upper leather by such persons to be subject to licence after June 30.

Furs and Velvets Exports.—A trade delegation under the auspices of the Fur Export Group is to take to Canada 600 models designed in Empire furs which have been processed and made up in London. These are to be chosen by Canadian buyers from 1,000 models which have been shown to the public at a London store. The Cotton Board announces that the export demand for velvets is very active at present. America and Canada are showing interest in British velveteens and corduroys for the first time since 1928, while business in Turkey and Argentina has been captured from Germany and Italy. Cotton velvet has a high conversion value, which makes it an excellent commodity for export.

Control of Fish.—Representatives of the fish trade have drawn up a scheme for the control of Icelandic cod, which the Ministry of Food has embodied in an Order. It is proposed to extend price control to all cod as soon as practicable and subsequently to other varieties of fish. The present scheme provides maximum prices payable at ports on first hand sales of Icelandic cod of 7s. per stone for cod with heads on, or 8s. 9d. per stone for headless cod, the difference in these prices being due to the loss of weight of the head. The Order also fixes maximum prices for sales to inland wholesalers, fish friers, retailers and to consumers. The price to consumers varies between 1s. and 2s. 2d. per lb.

Rations.—The rationing of cheese will begin on May 5, when the general ration will be 1 oz. per head per week. A special ration of 8 oz. per head per week

RAW COTTON delivered to Spinners				
Variety ('000 bales)	Week ended		From Aug. 1 to	
	Mar. 21, 1941	Mar. 28, 1941	Mar. 28, 1940	Mar. 28, 1941
American	7.0	4.0	954	581
Brazilian	3.2	2.7	192	229
Peruvian, etc.	1.4	1.4	149	85
Egyptian	0.7	0.8	252	129
Sudan Sakel	...	0.1	108	37
East Indian	8.0	18.9	252	249
Other Countries	6.6	15.6	96	257
Total	26.9	43.5	2,003	1,567

Source: Liverpool Cotton Association's Weekly Circular.

will be provided for underground mine workers and agricultural workers. The Ministry of Food has decided to allow bona fide vegetarians to receive a special ration of 8 oz. of cheese per week, on condition that they surrender their meat and bacon coupons. The meat ration was reduced to 1s. per head per week on March 31.

"THE ECONOMIST" SENSITIVE PRICE INDEX 1935=100

	Mar. 24, 1941	Mar. 25, 1941	Mar. 26, 1941	Mar. 27, 1941	Mar. 28, 1941
Crops	109.3	109.2	109.1	109.2	109.4
Raw Materials	173.9	174.0	173.7	173.8	173.2
Complete Index	137.9	137.9	137.7	137.8	137.7
	Mar. 31, 1937*	Aug. 1939	Mar. 1940	Feb. 1941	Mar. 21, 1941
Crops	147.9	92.2	112.1	102.9	109.4
Raw Materials	207.3	122.9	102.6	170.2	174.0
Complete Index	175.1	106.4	135.0	132.3	137.9

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN UNITED KINGDOM (1927=100)

	Mar. 31, 1937*	Aug. 1939	Mar. 12, 1940	Mar. 4, 1941	Mar. 25, 1941
Cereals and meat	93.0	66.9	86.5	98.9	96.1
Other goods	70.4	61.1	81.0	92.1	92.7
Textiles	74.2	54.3	82.1	88.7	89.8
Minerals	113.2	77.6	115.1	129.7	130.0
Miscellaneous	87.0	77.6	99.7	111.9	114.6
Complete Index	87.2	70.3	92.6	103.6	104.3

* Highest level reached during 1932-37 recovery.

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

	Home		Export		Total	% change from a year ago
	Index	% change	Index	% change		
1935	96	83	96	...	...	...
1936	99	90	99	+ 3.1	...	...
1937	100	100	100	+ 1.0	...	...
1938	94	82	93	- 7.0	...	...
1939	105	80	103	+10.7	...	...
1940	116	83	114	+10.7	...	...
1941	Jan. 79	83	80	+48.2	...	...
Feb. 145	78	111	+40.8	...	...	...
Mar. 155	93	152	+31.0	...	...	...
Apr. 145	94	142	+51.0	...	...	...
May. 130	88	128	+24.3	...	...	...
June 97	106	97	+ 4.3	...	...	...
July. 82	94	83	+25.8	...	...	...
Aug. 124	74	122	+47.0	...	...	...
Sept. 145	54	143	- 7.8	...	...	...
Oct. 157	73	152	- 8.4	...	...	...
Nov. 81	88	81	-40.0	...	...	...
Dec. 76	71	76	-26.9	...	...	...
1941 Jan. 63	67	63	-21.2	...	...	...
Feb. 106	68	105	- 5.4	...	...	...

Indices calculated by Wholesale Textile Association in collaboration with Bank of England. Purchase tax is excluded; figures are therefore comparable throughout. Source: Board of Trade Journal.

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

	Average Daily Sales			Stocks (at cost) end Feb.
	1940 Dec.	1941 Jan.	1941 Feb.	

(a) By Commodities.				
	%	%	%	%
Non-Food Merchandise	- 2.8	-26.4	- 9.0	+22.6
Piece-goods	- 3.1	- 6.3	+11.9	+12.1
Women's wear	-14.4	-21.2	-13.8	+12.6
Men's and boys' wear	+11.8	+19.9	+21.4	+16.5
Boots and shoes	-20.6	-27.8	-18.5	+19.4
Furnishing departments	-28.9	-13.6	- 8.5	+ 6.4
Hardware	-15.2	- 3.6	+14.4	+ 6.3
Fancy departments	-19.7	+ 2.9	+28.8	+ 0.8
Sports and travel	+ 2.3	+ 1.6	+2.9	+54.7
Miscellaneous	- 6.7	- 3.8	+ 1.8	+15.2
Total — Non-Food Merchandise	+ 0.8	+ 5.8	- 3.5	+16.3
Food & Perishables	- 2.7	- 0.3	+ 2.9	+15.3

(b) By Districts.				
	%	%	%	%
Scotland	+10.1	+12.9	+ 9.4	+13.9
North-East	+ 4.8	+10.2	+ 8.2	+33.4
North-West	+ 5.2	+10.4	+ 7.0	+15.8
Midland & S. Wales	+ 2.8	+10.2	+11.7	+20.0
South England	- 2.1	+ 5.2	+ 7.5	+27.8
Central & West End London	-23.5	-20.5	-16.1	+ 2.0
Suburban London	-17.1	- 0.8	- 8.6	+4.2

Source: Board of Trade Journal.

RETAIL FOOD PRICES

	Average price per lb. at			Per cent increase since Sept. 1, 1939
	Sept. 1, 1939	Jan. 1, 1941	Feb. 1, 1941	
Beef, British:—	s. d.	s. d.	s. d.	%
Ribs	1 2½	1 3½	1 9½	25
Thin flank	7½	9½	9½	...
Beef, chilled or frozen:—	s. d.	s. d.	s. d.	%
Ribs	9½	1 0½	1 0½	34
Thin flank	4½	5½	6	22
Mutton, British:—	s. d.	s. d.	s. d.	%
Legs	1 2½	1 5½	1 5½	12
Breast	8	8	8	7
Mutton, frozen:—	s. d.	s. d.	s. d.	%
Legs	10½	1 0	1 0	15
Breast	4	4	4	...
Bacon	1 3	1 0½	1 6½	23
Fish	...	...	...	87
Flour (per 7 lb.)	1 2½	1 1½	1 1½	-1
Flour (per 4 lb.)	8½	8½	8½	...
Tes	2 4	2 6	2 6	7
Sugar (granul'd)	3	4	4	32
Milk (per quart)	6½	9	8½	31
Butter, fresh	1 4½	1 7	1 7	15
Butter, salt	1 3½	1 7	1 7	24
Cheese	10	1 1	1 1	30
Margarine:—	s. d.	s. d.	s. d.	%
Standard	0½	9	9	13
Eggs (each)	2	3½	3½	72
Potatoes (per 7 lb.)	6½	8½	8½	36
Index, All foods, weighted (July, 1914=100)	138	172	171	24

* Mostly Canadian or New Zealand cheese. Source: Ministry of Labour Gazette.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the nine days ended March 31, 1941, total ordinary revenue was £52,362,000, against ordinary expenditure of £139,809,000 and issues to sinking funds of £5,514. Thus, including sinking fund allocations, the deficit accrued since April 1st is £2,475,421,000 against £771,981,000 (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 Mar. 31, 1940	Apr. 1, 1940, to Mar. 31, 1941	8 days ended Mar. 31, 1940	9 days ended Mar. 31, 1941
ORDINARY REVENUE					
Income Tax	510,500	390,083	523,949	6,384	15,744
Sur-tax	83,000	69,780	76,107	3,430	3,060
Estate, etc.,	86,100	77,720	80,777	3,650	1,995
Duties	19,000	17,070	13,878	250	910
Stamps	19,000	17,070	13,878	250	910
N.D.C.	70,000	26,940	24,085	540	640
E.P.T.	70,000	40	72,103	10	4,110
Other Inland Revenue	1,000	1,300	1,015	40	64
Total Inland Revenue	769,600	682,933	791,714	14,304	26,529
Customs and Excise	309,350	262,136	304,939	3,205	3,581
Excise	213,550	137,900	224,100	770	15,300
Total Customs and Excise	522,900	400,036	629,039	3,975	18,881
Motor Vehicle Duties	35,000	34,086	38,006	338	171
P.O. (Net Receipts)	13,291	3,846	15,323	412	3,740
P.O. Fund	1,150	1,757	1,757	1,758	50
Crown Lands	1,150	1,250	1,100	40	50
Sundry Loans	5,000	4,940	2,553	...	...
Misc. Receipts	13,250	20,341	31,132	2,935	2,997
Total ordinary Revenue	1360191	1049189	1408867	23,762	52,362
SELF-BAL. Post Office & Broadcasting	86,422	83,054	86,417	1,738	...
Total	1446613	1132243	1495284	25,500	52,362

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1940-41	Apr. 1, 1939, to Mar. 31, 1940	Apr. 1, 1940, to Mar. 31, 1941	8 days ended Mar. 31, 1940	9 days ended Mar. 31, 1941
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	230,000	222,850	212,957	2,154	Cr6692
Payments to N. Ireland	9,400	9,556	9,699	781	1,244
Other Cons. Fund Serv.	7,600	7,310	7,476	204	206
Total	247,000	239,716	230,132	3,139	Cr75122
Supply Serv.	3736125	1570007	3637113	73,090	144959
Total Ord. Expenditure	3983125	1809723	3867245	76,829	139808
Sinking Fds.	...	7,150*	17,043	324	5,514
SELF-BAL. Post Office & Broadcasting	86,422	83,054	86,417	1,738	...
Total	4069547	1900227	3970705	78,891	145322

The 1940 figures include expenditure out of defence loans.
* Excluding £4,207,000 falling outside fixed debt charge and excluding old sinking fund.
† Due to defence loans interest.

After decreasing Exchequer balances by £490,412 to £2,626,515, the other operations for the week (no longer shown separately) raised the gross National Debt by £97,278,238 to about £11,417 millions.

An analysis of the estimated position of the National Debt on March 31st appears on page 473. See also Budget Supplement, page 440.

FIVE WEEKS' CHANGES IN DEBT

NET INCREASES		NET REPAYMENTS	
Nat. Sav. Certs.	20,900	4% Conv. Loan	48
3% Def. Bds.	21,858	Nat. Sav. Bds.	38
3% Def. Loan '54-58	78,125	1% Treas. Bds.	324
2% Nat. War Bds.	35		
1945-47	...		
2% Nat. War Bds.	59,165		
1946-48	...		
3% Sav. Bds.	39,630		
Other debt	5,220		
Treasury Bills	2,408		
Ways and Means	6,785		
Treasury Depts.	74,500		
	306,624		410

OTHER ISSUES (NET)

Interest (Defence Loans)		0,038
Anglo-Turkish Agreement		50
Temporary advance (bullion)		153
		9,241

OTHER RECEIPTS (NET)

P.O. & Telegraph		2,090
Overseas Trade Guarantees		2,433
		4,433

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1st, 1940, to March 31st, 1941, are:—

Ordinary Exp.		3,867,245	Ord. Revenue	1,408,867
Inc. in balances	232		Gross. borr.	2,479,912
Misc. Issues (net)	4,259		Sinking fds.	17,043
			Net borrowing	2,462,869
		3,871,736		3,871,736

FLOATING DEBT

Treasury Bills		Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
Date	Tender	Tap	Public Depts. Eng. Land	
1940				
Mar. 31	731-0	606-7	61-5	1480-2
Dec. 21	845-0	...	...	...
31	2151-8	86-0	50-5	338-0
1941				
Jan. 11	845-0	...	...	...
13	845-0	...	...	...
25	845-0	1340-7	96-1	366-0
Feb. 1	845-0	...	...	...
8	845-0	...	...	...
15	845-0	...	...	...
22	845-0	1369-4	165-5	355-0
Mar. 1	845-0	...	...	...
8	845-0	...	...	...
15	845-0	...	...	...
22	845-0	...	...	...
29	2211-6	172-3	...	429-5

TREASURY BILLS

Amount		Average Rate	Per Cent. Allotted at Min. Rate
Date of Tender	Offered for	Applied	Allotted
1940			
Mar. 29	50-0	99-9	50-0
Dec. 20	65-0	130-8	65-0
27	65-0	143-8	65-0
1941			
Jan. 3	65-0	133-3	65-0
10	65-0	134-7	65-0
17	65-0	146-0	65-0
24	65-0	139-4	65-0
31	65-0	150-7	65-0
Feb. 7	65-0	142-5	65-0
14	65-0	139-1	65-0
21	65-0	160-5	65-0
28	65-0	151-2	65-0
Mar. 7	65-0	153-8	65-0
14	65-0	131-6	65-0
21	65-0	148-3	65-0

On March 24th applications at £99 14s. 11d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 28 per cent. of the amount applied for, and applications at higher prices in full. £70 millions of Treasury bills are being offered on April 4th. For the week ending April 5th the banks will be asked for Treasury deposits to the maximum amount of £40 millions.

BANK OF ENGLAND RETURNS

APRIL 2, 1941

ISSUE DEPARTMENT

Notes Issued		£	Govt. Debt	£
In Circul.	614,630,457		11,015,100	
In Bank. Department	15,611,118		615,970,547	
			5,005,680	
			8,723	
			630,000,000	
			241,575	
			630,241,575	

BANKING DEPARTMENT

Propos. Capital		£	Govt. Secs.	£
14,553,000		124,542,838		
Rest.	3,572,992		36,814,570	
Public Depts.	22,235,613		19,132,913	
			55,947,482	
			15,611,118	
			956,547	
			197,057,985	

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

THE WEEK'S CHANGES

Both Departments		Amt. Apr. 2, 1941	Compared with Last Week	Last Year
COMBINED LIABILITIES				
Note circulation	614,630	+ 3,146	+ 72,187	
Deposits: Public	22,235	+ 260	+ 154	
Bankers	101,453	+ 17,144	+ 19,316	
Others	55,244	+ 2,956	+ 13,827	
Total outside liabilities	793,563	+ 10,782	+ 66,544	
Capital and rest	18,126	+ 10	+ 100	
COMBINED ASSETS				
Govt. debt & securities	751,528	+ 1,955	+ 37,648	
Discounts and advances	36,815	+ 8,400	+ 33,610	
Other securities	22,139	+ 214	+ 4,264	
Silver coin in issue dept.	9	+ 2	+ 499	
Coin and gold bullion	1,198	+ 146	+ 60	
Reserves				
Res. of notes and coin in banking department	16,568	+ 3,282	+ 22,247	
"Proportion" (reserve to outside liabilities in bank. dept.)	9-2%	+ 1-0%	+ 11-6%	

COMPARATIVE ANALYSIS

1940		1941	
Apr. 3	Mar. 19	Mar. 26	Apr. 2
Issue Dept.:			
Notes in circulation	542-4	608-4	611-5
Notes in banking department	37-8	21-8	18-8
Government debt and securities	576-3	626-9	627-0
Other securities	3-2	8-1	8-0
Silver coin	0-6	0-0	0-0
Gold, valued at p. per fine oz.	0-2	0-2	0-2
Deposits:			
Public	22-4	14-7	22-0
Bankers	120-8	95-2	118-6
Others	41-4	52-1	52-3
Total	184-6	162-0	192-9
Banking depart. sec.			
Government	137-8	120-8	126-5
Discounts, etc.	3-2	6-1	45-3
Other	23-2	21-0	19-8
Total	164-0	146-9	191-1
Banking depart. res.	38-8	23-1	19-9
"Proportion"	21-0	14-2	10-2

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

GOVERNMENT REVENUE AND EXPENDITURE

I.—An Account of the TOTAL REVENUE of the UNITED KINGDOM, in the undermentioned periods of the Year ending March 31, 1941, as compared with the corresponding periods of the preceding Year.

	Estimate for the Year 1940-41 *	Quarter from January 1 to March 31, 1941, compared with the corresponding Quarter of the preceding Year				Year ending March 31, 1941, compared with the preceding Year.			
		Quarter ending Mar. 31, 1940	Quarter ending Mar. 31, 1941	Increase	Decrease	Year ending Mar. 31, 1940	Year ending Mar. 31, 1941	Increase	Decrease
Ordinary Revenue	£	£	£	£	£	£	£	£	£
Inland Revenue—									
Income Tax	510,500,000	282,937,000	336,870,000	54,833,000	...	390,083,000	523,949,000	133,866,000	...
Sur-Tax	83,000,000	54,930,000	52,839,000	...	2,091,000	69,780,000	76,107,000	6,327,000	...
Estate, etc., Duties	86,100,000	20,600,000	22,077,000	2,077,000	...	77,720,000	80,777,000	3,057,000	...
Stamps	19,000,000	4,300,000	3,300,000	...	1,000,000	17,070,000	13,678,000	...	3,392,000
National Defence Contribution	70,000,000	7,530,000	7,850,000	320,000	...	26,940,000	24,085,000	...	2,855,000
Excise Profits Tax	40,000,000	28,320,000	28,280,000	...	93,000	1,300,000	72,103,000	72,063,000	...
Other Inland Revenue Duties	1,000,000	760,000	667,000	...	...	1,015,000	1,015,000	...	285,000
Total Inland Revenue	769,600,000	370,287,000	452,523,000	85,510,000	3,274,000	582,933,000	701,714,000	215,313,000	6,532,000
Customs and Excise—									
Customs	309,350,000	61,091,000	78,419,000	14,328,000	...	262,136,000	304,930,000	42,803,000	...
Excise	213,550,000	36,750,000	81,114,000	44,364,000	...	137,900,000	224,100,000	86,200,000	...
Total Customs and Excise	522,900,000	100,841,000	159,533,000	58,692,000	...	400,036,000	529,030,000	129,003,000	...
Motor Vehicle Duties	35,000,000	24,265,000	24,858,000	593,000	...	34,086,000	38,006,000	3,920,000	...
Post Office (Net Receipt)	13,291,000	142,000	8,473,000	8,331,000	...	3,846,000	15,323,000	11,477,000	1,757,446
Post Office Fund	1,150,000	1,757,446	...	1,757,446	20,000	1,757,446	...	...	150,000
Crown Lands	5,000,000	280,000	260,000	...	...	1,250,000	1,100,000	...	2,386,440
Receipts from Sundry Loans	13,250,000	681,957	1,582,871	900,914	...	4,430,565	2,553,125	...	10,791,290
Miscellaneous Receipts	13,250,000	6,460,187	9,219,090	2,758,903	...	20,340,682	31,131,972	10,791,290	...
Total Ordinary Revenue	1,360,191,000	504,714,590	656,448,961	156,785,817	5,051,446	1,049,188,693	1,408,867,097	370,504,290	10,825,886
				£151,734,371	Net Increase			£359,678,404	Net Increase
Self-Balancing Revenue									
Revenue required to meet expenditure on									
Post Office and Broadcasting	86,422,000	22,108,000	20,317,000	...	1,791,000	83,054,000	86,417,000	3,363,000	...
Total	1,446,613,000	526,822,590	676,765,961	156,785,817	6,842,446	1,132,242,693	1,495,284,097	373,867,290	10,825,886
				£149,943,371	Net Increase			£363,041,404	Net Increase

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Finland appeared in "The Economist" of Dec. 9th, 1939; Norway, of Apr. 13th, 1940; Denmark, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Switzerland, of June 15th; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Mellie Iran, of Nov. 23rd; Lithuania, of Nov. 30th; Roumania, of Feb. 8th; Egypt, Reichsbank, International Settlements, of Feb. 15th; Roumania and South Africa, of Feb. 22; Hungary, Portugal, and Turkey, of Mar. 8th; Bulgaria and Japan, of Mar. 15th; Argentina and Greece, of Mar. 22nd; New Zealand, Canada, Australia and Yugoslavia, of Mar. 29th.

RESERVE BANK OF INDIA

Million rupees				
ASSETS	Mar. 22, 1940	Mar. 7, 1941	Mar. 14, 1941	Mar. 21, 1941
Gold coin and bullion	444	444	444	444
Rupee coin	560	321	324	334
Balances abroad	259	757	769	784
Indian Govt. securities	1,135	1,405	1,405	1,405
Indian Govt. rupee secs.	384	496	496	496
Investments	122	71	69	68
LIABILITIES				
Notes in circn.: India	2,280	2,370	2,389	2,390
Burma	136	178	176	173
Deposits: Govts.	204	371	353	397
Banks	173	428	395	380
Reserve ratio	62.6%	60.4%	60.3%	60.0%

PRAGUE NATIONAL BANK

Million Crowns				
ASSETS	Feb. 29, 1940	Feb. 15, 1941	Feb. 23, 1941	Feb. 28, 1941
Gold	1,602	1,450	1,459	1,465
Foreign exchange	771	766	766	766
Other cash	3,326	1,516	1,620	1,357
Bills and securities	415	3	3	1
Advances	699	8,125	8,263	8,522
Other assets	4,838	8,125	8,263	8,522
LIABILITIES				
Note circulation	5,713	6,478	6,419	6,813
Cash certificates	1,178	1,317	1,334	1,444
Clearing deposits	1,592	2,034	2,374	1,826
Other liabilities	1,626	1,446	1,442	1,486

BANK OF SWEDEN.—Million kronor

ASSETS	Jan. 5, 1940	Dec. 23, 1940	Dec. 31, 1940	Jan. 7, 1941
Gold reserve	580.0	672.1	671.9	680.8
Secondary cover:				
Swedish assets	623.5	677.8	736.9	728.1
Foreign assets	396.1	749.3	749.8	739.9
LIABILITIES				
Notes in circulation	1361.9	1454.9	1481.8	1393.9
Deposits: Government	228.1	105.4	106.9	116.9
Banks & others	196.0	266.6	328.8	373.1

† Including "gold abroad not included in gold reserve."

U.S. FEDERAL RESERVE BANKS

Million \$s				
12 U.S.F.R. BANKS	Mar. 27, 1940	Mar. 13, 1941	Mar. 20, 1941	Mar. 27, 1941
RESOURCES				
Gold Certifs. on hand	16,048	20,103	20,103	20,102
and due from Treas.	16,428	20,442	20,446	20,454
Total reserves	372	328	332	341
Total U.S. Govt. secs.	2,475	2,184	2,184	2,184
Total bills and secs.	2,488	2,193	2,193	2,193
Total resources	19,779	23,012	23,731	23,527
LIABILITIES				
F.R. notes in circn.	4,899	6,047	6,036	6,079
Excess m. bank res.	5,680	6,480	6,110	6,010
Mr. banks res. dep.	12,294	14,211	13,741	13,633
Govt. deposits	700	421	913	906
Total liabilities	13,802	16,381	16,755	15,527
Reserve ratio	87.8%	91.1%	91.1%	91.3%
BANKS AND TREASURY RESOURCES				
Monetary gold stock	18,413	22,318	22,335	22,359
Treas. and bk. currency	2,990	3,106	3,104	3,108
LIABILITIES				
Money in circulation	7,471	8,811	8,826	8,842
Treas. cash and dep.	3,082	2,617	3,121	3,136

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$s

ASSETS	Feb. 1940	Feb. 1941	Feb. 1941	Feb. 1941
Loans, total	8,531	9,337	9,377	9,423
Investments	14,680	16,747	16,871	16,958
Reserve with F.R. bks.	10,306	11,611	11,640	11,804
Due from domestic bks.	3,128	3,314	3,351	3,388
LIABILITIES				
Deposits: Demand	19,256	22,798	22,981	23,157
Time	5,277	5,432	5,452	5,466
U.S. Govt.	573	353	354	354
Inter-bank	8,836	9,685	9,667	9,775

MONEY MARKET STATISTICS

EXCHANGE RATES

The following rates fixed by the Bank of England remained unchanged between March 27th and April 2nd. (Figures in brackets are par of exchange.)

United States. \$ (4-88) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4-88) 4-43-47; mail transfers 4-43-47½. Switzerland. Francs (25-22) 17-30-40. Sweden. Krona (18-189) 10-85-95. Argentina. Peso (11-46) 16-95½-17-13; mail transfers 16-95½-17-15. Dutch East Indies. Florin (12-11) 7-58-62; mail transfers 7-58-64. Dutch West Indies. Florin 7-58-62; mail transfers 7-58-64. Portugal. Escudos (110) 99-80-100-20. Panama. \$ (4-02-04) mail transfers 4-02-04½. Manila. Peso 8-09-12; mail transfers, 8-09-13.

Rates Fixed for Payment at Bank of England for Clearing Offices

Spain. Peseta (25-22) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey. £T (1-10) 5-20.

Market Rates

The following rates remained unchanged between March 27th and April 2nd:—Greece. Drachma (375) 515 sellers. Finland. Mark (193-23) 180-210. Egypt. Piastres (97½) 97½-1. India. Rupee (18d. per rupee) (March 27-29) 17½-18½; (March 31-April 2) 17½-18½. Hongkong. 14½-15d. per \$ Japan. Yen (24-63d. per yen) 13½-14½. Yugoslavia. Dinar (276-32) 155 sellers; trade payments 200 sellers Singapore. \$ (2nd. per \$) 28½-29. Colombia. Peso 6 (nominal). Belgian Congo. Francs 176½-1. Shanghai. 3-3½d. per \$.

SPECIAL ACCOUNTS are in force for the following countries and no rate of exchange is accordingly quoted in London: Hungary, Turkey, Brazil, Chile, Uruguay and Peru.

Forward Rates

Forward rates for one month have remained unchanged as follows:—United States. ½ cent pm-par. Canada. ½ cent pm-par. Switzerland. 3 cents pm-par. Sweden. 3 ore pm-par. Dutch East Indies. 1½ cents pm-par.

MONEY RATES, LONDON

The following rates remained unchanged between March 27th and April 2nd:—Bank rate, 2% (changed from 3% October 26th, 1939). Discount rates: Bank Bills, 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%. Treasury bills: 2 months, 1-1½%; 3 months, 1½%. Day-to-day money, 1-1½%. Short loans, 1-1½%. Bank deposit rates, 1%. Discount deposits at call, 1%; at notice 1%.

SHORTER COMMENTS

John Barker & Co. Ltd.—Gross trading profit year to January 31st, 1941, £1,386,775 (£1,456,816). For rent, rates, taxes, &c., £320,616 (£174,131). Net profit, £196,897 (£306,663). Ordinary dividend maintained at 10 per cent. To contingencies, £30,000 (nil). To rebuilding reserve nil, (£100,000). Carry forward, £205,323 (£205,234).

Bank of Scotland.—Net profit year to February 28th, 1941, £253,905 after tax against £274,548. Dividend 11 per cent. as before. To contingencies reserve, £70,000 (£75,000). To pensions, £30,000 (£30,000). Carry forward, £155,572 (£153,467). Total assets, £62,734,935 (£56,339,288).

International Railways of Central America.—Railway operating revenues in 1940 \$5,544,439 (\$5,994,056). Operating expenses \$3,391,538 (\$3,641,402). Total income \$1,963,563 (\$2,223,459). Net income \$865,704 (\$1,070,544). Divs. totalling \$5.75 per sh., balance to profit and loss account, \$290,704 (\$495,544).

Shell Union Oil Corporation.—Net operating income, 1940, \$15,654,678 (\$11,805,712) equal after preferred dividend to \$1.05 against 76 cents. per common share. Dividend 75 c. against 50 c. on common stock. Earned surplus December 31st, 1940, \$20,761,043 (\$16,872,684).

Anglo-Portuguese Colonial and Overseas Bank.—Net profit year to January 31st, 1941, £2,430 (£12,087). Making

with £77,895 brought in, a carry forward of £80,325. Deposits £782,604 (£1,192,827). Cash, £1,070,932 (£521,906). Total assets, £3,275,054 (£3,011,831).

Imperial Tobacco Company of Canada.—Net profit, 1940, after income war tax, \$6,202,710 (\$6,500,338). Taxes absorbed, £213,047 (\$971,548). Preference dividend, \$481,800 as before. Dividends total 40 cents. as before. Carry forward, \$4,145,243.

Canadian Pacific Ry. Earnings.—Gross receipts, February, \$14,107,000 (\$11,915,000). Net receipts, \$2,609,000 (\$1,973,000). Aggregate receipts, Jan.-Feb., 1941: Gross, \$28,792,000 (\$24,160,000); net, \$5,275,000 (\$3,801,000).

(Continued on page 478)

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													
Coltness Iron	Dec. 31	324,604	...	155,604	415,464	25,750	118,125	20	10,000	+ 1,720	316,522	175,022	20
Settle Speakman & Co.	Dec. 31	132,898	...	36,649	56,866	...	28,750	12½	...	+ 7,899	114,057	34,902	12½
United Collieries Ltd.	Dec. 31	62,639	...	6,275	21,910	...	5,000	...	...	+ 1,275	65,662	6,229	NH
Vickers Ltd.	Dec. 31	1,188,651	...	1,119,120	1,599,308	343,417	354,070	10	250,000	+ 17,033	1,260,711	1,236,871	10
Rubber													
Bantardaw	June 30	10,299	...	3,715	4,188	...	3,247	6½	...	+ 468	4,145	2,113	4½
Trolak Estates	Nov. 30	11,990	...	6,955	7,638	...	6,488	10	500	- 33	5,321	4,075	6
Waterfall (Selangor)	Sept. 30	51,514	...	Dr. 31,164c	21,331	...	...	...	...	- 32,164	40,696	24,151	NH
Shops and Stores													
Barker (John) & Co.	Jan. 31	1,398,673	28,109	186,897	392,131	46,175	110,633	10	30,000	+ 89	1,474,696	171,663	10
Gorrings (Frederick)	Jan. 31	10,342	3,000	1,442	27,892	10,000	...	...	...	- 8,558	28,768	18,541	5
Liberty & Co.	Jan. 31	Dr. 18,352	...	Dr. 18,352	12,618	6,000	5,000	5½	Dr. 25,000	- 4,352	Dr. 25,847	Dr. 25,847	10½
Rotherham (Jermh.) & Co.	Jan. 15	49,474	...	44,143	70,983	10,000	30,000	5	10,000	- 5,678	41,019	35,887	NH
Stagg & Russell	Jan. 31	Dr. 1,843	3,235	Dr. 5,678	10,284	46,235	82,875	13	10,000	- 7,248	6,354	2,440	13
Upsons Ltd.	Dec. 31	205,568	...	131,862	175,045	46,235	82,875	13	10,000	- 7,248	190,311	141,631	13
Trusts													
Denman Street Trust	Dec. 31	60,019	...	30,388	82,402	10,664	14,218	6	...	+ 5,506	62,539	35,780	6
General Funds Investment	Jan. 15	22,028	...	10,448	13,622	4,312	4,744	51	2,000	- 608	23,962	12,479	4½
Greenfield Investment	Jan. 31	43,872	...	22,914	36,219	19,406	41	...	...	+ 3,508	45,152	29,170	5
Hellenic & General Trust	Jan. 31	67,642	...	28,567	93,092	14,375	14,375	5	...	- 647	71,044	32,538	5
Investors Trust Assn.	Feb. 28	18,485	...	14,763	43,169	10,879	4,531	2	...	- 241	21,384	17,456	NH
Municipal Trust	Feb. 28	36,310	...	15,691	27,905	15,982	...	...	...	- 241	36,132	14,927	4
Scottish Capital Investmt.	Mar. 1	109,463	...	33,414	58,956	17,500	9,333	4	10,000	- 3,419	108,499	37,961	4
Other Companies													
Bairns-Wear Ltd.	Dec. 14	89,679	...	34,644	45,788	4,744	19,431	20	10,000	+ 469	66,787	45,487	13
Blythe Colour Works	Dec. 31	18,679	...	8,988	20,771	6,000	3,750	5	5,000	- 5,792	28,831	31,913	20
Boddingtons' Breweries	Dec. 31	88,842	...	43,206	50,312	16,500	24,750	7½	...	+ 1,956	77,586	49,218	9
Bright & Colson	Jan. 31	57,942	...	29,065	39,425	15,750	5,500	5	7,500	+ 2,555	53,698	32,129	5
British Automatic Co.	Dec. 31	92,508	34,457	14,166	21,716	...	13,800	6	...	+ 366	86,307	73,063	9
British Oil & Cake	Dec. 31	859,403	...	720,373	795,552	404,498	315,000	9	...	+ 875	811,520	735,065	9
British Pepper & Spice	Dec. 31	25,963	...	14,061	17,342	...	9,200	10	...	- 139	27,862	17,399	10
British Quarrying Co.	Oct. 31	107,096	26,207	17,011	32,528	10,781	11,529	8 & 3	...	- 5,239	126,283	106,818	8 & 4
British Ropes Ltd.	Dec. 31	549,336	104,771	251,321	414,334	81,726	109,530	12½	41,553	+ 18,512	488,818	267,959	25(a)
Buttons Ltd.	Dec. 31	45,879	...	19,095	46,755	3,642	10,343	10	5,000	+ 90	38,120	22,071	10
Churchill & Sim	Dec. 31	13,127	...	4,837	26,748	...	...	...	...	+ 4,837	6,926	Dr. 3,566	NH
Clapton Stadium	Dec. 31	67,922	20,000	20,295	36,748	...	...	...	20,000	+ 295	71,159	18,288	10
Devay Roundidge & Co.	Dec. 31	13,547	...	11,443	27,162	...	7,000	5	3,038	+ 1,405	18,288	7,234	5
Dunhill (Alfred) Ltd.	Dec. 31	34,548	...	34,048	104,719	10,000	24,000	12	...	+ 3,460	34,560	34,000	12
Dwyer & Co.	Jan. 31	16,853	5,000	10,553	21,593	2,928	14,000	12½	...	+ 1,423	15,102	12,052	12½
Ellis & Goldstein	Nov. 30	34,719	17,358	17,400	23,909	2,588	9,531	33	...	+ 281	37,269	14,595	23
Enfield Cable Works	Dec. 31	260,376	28,414	169,215	199,508	15,000	100,000	12½	50,000	+ 4,215	208,210	155,603	16½
Erith & Co.	Dec. 31	36,568	...	6,209	64,638	...	11,032	17½	...	+ 4,823	35,559	27,158	17½
Glocheater Ltd.	Dec. 31	988,937	...	368,699	557,739	37,375	270,006	27½	60,000	+ 1,318	84,963	300,063	27½
Goldner Ltd.	July 20	36,938	...	10,012	Dr. 13,746	...	...	...	...	+ 10,312	36,297	Dr. 44,557	NH
Greengate & Irwell Rubber	Dec. 24	83,157	...	83,157	124,345	28,500	48,875	15 & 6	10,000	- 2,218	106,818	106,818	15 & 6
Hall, L. (Edmonton) Ltd.	Dec. 31	31,315	...	11,355	124,345	...	7,500	7½	...	+ 45	30,890	15,015	10
Hanson (Sam'l.) & Son.	Dec. 28	111,247	...	24,366	13,914	...	...	...	10,000	+ 452	113,564	31,788	NH
Hartley (Wm. P.) Ltd.	Oct. 31	101,232	18,489	53,361	14,375	23,000	80	...	...	+ 2,868	127,046	59,788	7½
Hillhead Hughes Ltd.	Dec. 31	23,311	...	4,212	22,410	5,742	8,625	12½	...	+ 155	35,602	17,387	12½
Hooper Struve & Co.	Dec. 31	6,688	...	3,629	3,691	2,500	...	...	1,000	+ 120	5,114	2,155	NH
International Lighting	Dec. 31	924	...	685	1,772	635	118	2	...	- 68	1,098	860	2
Inveresk Paper Co.	Dec. 31	236,930	...	103,914	157,111	86,643	6,706	6	10,000	+ 565	271,475	134,410	6
Lanes. Dynamo & Crypto	Dec. 31	117,299	11,364	103,035	201,969	3,300	60,000	20	10,000	+ 10,735	115,539	102,288	20
McCrae & Drew	Dec. 31	32,293	2,545	13,598	28,127	...	10,120	8	1,000	+ 2,478	23,009	11,117	17
McLarnan (Albert E.)	Dec. 31	39,011	1,151	20,977	31,253	...	20,000	10	...	+ 977	31,064	27,626	10
Mills & Rockleys Ltd.	Oct. 31	16,108	...	4,185	22,534	...	...	...	...	+ 4,185	32,272	21,040	5
Peerless Furniture	Dec. 31	12,370	...	1,762	6,174	2,740	...	...	...	+ 1,382	10,942	4,867	NH
Radiation Ltd.	Dec. 31	117,969	...	117,969	258,362	37,520	78,058	6	...	+ 2,391	133,878	133,878	6
Rose (L.) & Co.	Dec. 31	91,800	9,154	38,839	50,488	10,500	20,109	62½	5,000	+ 3,240	134,601	35,279	62½
Smith & Nephew Ass. Coll.	Dec. 31	103,631	...	57,521	119,179	...	53,906	18½	...	+ 5,615	124,736	78,351	18½
Smithfield Animal Prods.	Dec. 31	18,109	1,832	14,371	22,408	...	8,480	12½	...	+ 89	4,917	1,340	NH
South Shields Stadium	Dec. 31	4,718	...	42,048	63,488	11,000	41,985	8½	10,000	+ 503	133,493	63,097	7½
Tarmac Ltd.	Dec. 31	152,934	18,060	32,264	42,223	...	18,844	25	10,000	+ 4,420	140,820	33,756	25
Wesley & Scott	Dec. 31	276,464	...	...	...	...	...	...	...	...	...	...	...
Totals (000's)	No. of Cos.	8,801	369	4,360	7,017	1,394	2,186	...	567	+ 213	8,528	4,734	...
Week to Apr. 5, 1941	Week to Apr. 5, 1941	107,902	6,576	54,987	84,545	11,170	36,554	...	5,164	+ 2,099	102,828	60,676	...

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.

Prices, Year 1940		Prices, Year 1941		Name of Security	Price, Mar. 25, 1941	Price, Apr. 1, 1941	Yield, Apr. 1, 1941	Prices, Year 1941			Name of Security	Price, Mar. 25, 1941	Price, Apr. 1, 1941	Yield, Apr. 1, 1941
High	Low	High	Low					High	Low	Yield				
British Funds														
77	68	78	76	Consols 2½%	77	78	£ s. d.	23/11	20/10	14	Iron, Coal, &c. cont.	21/10	21/3	£ s. d.
111	103	111	110	Do. 4% (aft. 1957) ..	111	111	3 12 0	22/8	21/6	15	Guest Keen & Co. Ord. £1	22/6	21/3	6 2 0
98	95	98	97	Conv. 2½% 1943-45 ..	98	99	2 3 3	12/7	11/6	14	Hadfield 10/- ..	11/10	11/10	10 16 0
100	95	100	98	Do. 2½% 1944-49 ..	99	99	2 12 0	41/3	42/6	12	c 6	20/-	20/-	6 0 0
103	97	103	101	Do. 3½% 1948-53 ..	102	102	2 16 0	44/-	41/3	15	c 6	45/7	45/-	3 11 0
103	94	103	102	Do. 3½% after 1961 ..	103	104	3 7 0	31/1	28/6	12	c 6	42/6	42/6	6 5 0
112	107	108	106	Do. 5% 1944-64 ..	106	107	2 14 3	24/3	19/9	5	c 21	30/7	30/7	6 10 0
98	92	98	91	Fund 2½% 1956-61 ..	98	99	3 2 1	16/-	14/3	4	c 6	20/3	20/3	7 14 0
99	95	99	97	Fund 3% 1959-69 ..	99	99	2 18 0					14/6	14/6	6 18 0
114	105	114	112	Fund 4% 1960-90 ..	112	113	3 1 7	4/11	3/7	Nil				
102	98	102	100	Nat. D. 2½% 1944-48 ..	100	100	2 8 0	34/7	26/9	5	c 3	28/6	28/6	5 1 9
102	95	102	100	Do. 3% 1954-58 ..	101	101	2 17 9	29/4	22/9	5	c 6	30/3	30/3	5 5 0
100	100	100	100	War Bds. 2½% 1945-47	100	100	2 9 9	19/3	15/-	7	c 7	23/9	25/-	6 0 0
100	100	100	100	Do. 2½% 1946-48 ..	100	100	2 7 10	53/11	45/7	10	c 6	16/3	16/3	9 4 0
112	105	112	110	Sav. Bds. 3% 1955-65	111	111	3 4 3	41/0	38/3	10	c 6	46/10	47/6	3 11 0
101	98	101	100	Victory Bonds 4% ..	100	100	2 19 1	88/3	78/9	5	c 6			
103	93	103	103	War L. 3% 1955-59 ..	104	105	3 7 0	65/6	61/-	10	c 5			
83	80	83	80	Local Loans 3% ..	90	91	3 5 11	19/3	17/6	12	c 6			
94	85	94	93	Redemption 3% 1986-96	100	96	3 1 0	31/3	28/3	10	c 6			
101	97	100	100	Austria 3% 1933-53 ..	100	100	3 3 0	80/9	77/-	20	c 20			
71	59	71	70	India 2½% ..	75	75	3 6 8	47/6	44/-	7	c 7			
97	82	97	96	Do. 3½% ..	99	99	3 10 4							
107	101	105	103	Dom. & Col. Govts.	105	105	4 1 0	36/4	33/6	3	c 5			
112	105	112	108	Australia 5% 1945-75 ..	110	110	3 1 3	25/9	23/6	3	c 6			
110	106	108	107	Canada 4% 1953-58 ..	108	108	4 1 0	14/11	9/3	4	c 2			
105	100	106	104	Nigeria 5% 1950-60 ..	105	106	3 1 3	25/9	23/6	3	c 6			
108	103	107	106	S. Africa 5% 1945-75	107	107	3 6 3	28/3	28/6	2	c 4			
110	104	108	106	Corporation Stocks	106	106	3 15 0	35/6	33/6	2	c 5			
85	78	89	81	Birham 5% 1946-56 ..	88	88	3 8 3	39/-	33/9	3	c 5			
94	87	95	93	L.C.C. 3% ..	94	93	3 8 8							
104	97	103	100	Liverpool 3% 1954-64	102	102	3 6 10	15/-	11/3	15	c 10			
92	71	84	78	Mid. 3½% 1954-62	80	80	5 12 6	17/9	16/-	6	c 7			
29	20	37	31	Foreign Governments	34	34	7 1/9	10/6	9/-	6	c 4			
45	12	14	11	Argen. 4½% Stz. Bds.	12	12	10 0/0	31/-	25/9	12	c 12			
80	50	59	51	Brazil 5% Feb. 1914	28	28		11/-	11/-	11	c 10			
25	12	27	21	Chile 6% (1929)	81	83	4 17 0	18/9	17/9	5	c 6			
59	50	59	51	China 5% (1913)	13	13		65/-	59/41	20	c 13			
57	37	45	41	Egypt United £4 ..	62	63	4 11 7	58/9	50/7	12	c 21			
57	37	45	41	Greek 6% Stz. Bds. 1910	45	45	11 12 9	77/6	73/11	5	c 15			
57	37	45	41	Japan 5% 1930	45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41	Portuguese 3%	45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41	Spanish 4%	45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12 9	12/-	10/3	25	c 15			
57	37	45	41		45	45	11 12							

chosen for closing the "gap" and, as has been indicated above, they deserve general approval. But to say this does not dispose of the wider question whether the Chancellor has correctly estimated the dimensions of the gap. It was to this question that the most interesting (and, for the occasion, unique) passages of his speech were devoted. Nor has the Chancellor limited discussion to the statement of his own views. He has taken the quite unprecedented course of issuing a White Paper giving estimates, in a wealth of detail, of all the elements necessary for an informed discussion of the question. It is quite safe to assert that no such analysis of the real character of wartime finance has ever before been issued in any country—least of all during the war itself. The White Paper* is a very welcome demonstration that there is at least one Government Department which does not believe in the unnecessary suppression of facts. It will be received with the enthusiastic gratitude of every student of public finance in wartime

THE BUDGET ACCOUNTS

IN giving his estimate of £4,207 millions for total ordinary expenditure in 1941-42, Sir Kingsley Wood emphasised that it was not comparable with previous estimates and Exchequer issues, since it excludes the value of supplies to be received from the United States under the Lease-and-Lend Act and payments to be made under existing orders there. It does, however, include expenditure in the Dominions and other foreign countries covered by the accumulation of sterling balances, etc.; if this is excluded, expenditure ("domestic expenditure") is estimated at £3,700 millions, compared with £2,055 millions for similar expenditure in the first year of war and an annual rate of £3,190 millions in the first half of the second year.

Revenue last year yielded nearly £49 millions more than the estimate. The largest item of this increase was the combined total of N.D.C. and E.P.T., but it is worth noting that income tax yielded nearly £13½ millions more than the estimate in spite of the new system, introduced during the year, of collection at source, which means that part of the tax due is not actually paid until after the end of the year. Purchase tax, on the other hand, yielded only £26 millions, £14 millions less than the estimate, owing mainly to the delay of three months in putting it into operation. The decline in foreign trade reduced the yield of duties under the Import Duties Act and the Ottawa Agreements by £20½ millions, and there were other small deficiencies in customs and excise. Nevertheless, the combined total of £529 millions is about £6,000,000 more than the estimate owing mainly to the beer and tobacco duties, which yielded £25½ millions and £15½ millions respectively more than their estimates.

On the basis of existing taxation, revenue for 1941-42 was

REVENUE (£'000)				
	July Budget Estimate 1940-41	Actual Receipts 1940-41	Estimate for 1941-42 on basis of existing taxation	Estimate for 1941-42 after proposed tax changes
Inland Revenue :				
Income tax	510,500	528,949	605,000	756,000
Surtax	83,000	76,107	80,000	80,000
Estate Duties	86,100	80,777	82,000	82,000
Stamps	19,000	13,678	14,000	14,000
National Defence Contribution	70,000	24,085	210,000	210,000
Excess Profits Tax		72,103		
Other Inland Revenue	1,000	1,015	1,000	1,000
	769,600	791,714	992,000	1,143,000
Customs and Excise :				
Customs	309,350	304,939	310,700	310,700
Excise	218,550	224,100	267,300	266,600
	527,900	529,039	578,000	577,300
Motor Vehicle Duties ...	35,000	88,006	39,000	39,000
Total Tax Receipts .	1,327,500	1,358,759	1,609,000	1,759,300
Post Office Net Receipt	13,291	15,828	3,300	3,300
Crown Lands	1,150	1,100	1,100	1,100
Sundry Loans	5,000	2,558	2,600	2,600
Miscellaneous	18,250	81,182	20,000	20,000
Total Ordinary Revenue	1,360,191	1,408,867	1,636,000	1,786,300

and by no one more than by the commentator who has hitherto struggled to make his contribution to public enlightenment with a pitifully inadequate supply of materials. Now that Sir Kingsley Wood has provided the straw, he can legitimately expect that fewer of the bricks will be hurled at his head.

The White Paper contains two sets of figures. One is an analysis of the sources of war finance which has been prepared in the Treasury (its authorship should not be hard to guess); the other is a series of estimates of the National Income which, in the Chancellor's words, "are the very valuable first-fruits of our new Central Statistical Office set up by the Prime Minister." These national income estimates are no less interesting than the other half of the White Paper. But they are perhaps less controversial; their connection with the vital problem of the "gap" is less direct; and they require discussion in some detail. For these reasons the review of this half of

estimated at £1,636 millions, leaving a Budget deficit of £2,571 millions. This figure is arrived at after reducing the estimated yield of a full year's purchase tax from £110 millions to £70 millions and making other allowances for the effect of limitation of supplies and lower foreign trade on customs and excise generally. The only large change in taxation is in the income tax. The standard rate is raised from 8s. 6d. to 10s., and the reduced rate applying to the first £165 of taxable income is raised from 5s. to 6s. 6d. The earned income allowance is reduced from one-sixth of earned income, with a maximum allowance of £250, to one-tenth, with a maximum allowance of £150. The personal allowances of £170 for a married taxpayer and £100 for a single taxpayer will be reduced to £140 and £80 respectively. The exemption limit of liability to income tax is to be £110 a year instead of £120, which will bring another 2 million persons within the tax. But the extra tax payable as a result of the reduction in the personal and earned income allowances will be credited to the taxpayer, after the war, in the Post Office Savings Bank. These proposals are estimated to increase the yield of income tax by £250 millions in a full year and £150 millions in the current year. The Chancellor has not availed himself of the possibility, for which Lord Simon cleared the way last year, of levying surtax on incomes between £1,500 and £2,000.

These are the only tax increases, and the only other tax change—apart from administrative changes in income tax, estate duties and E.P.T.—is the repeal of the medicine stamp duties, which will cost £640,000 this year and £840,000 in a full year. The estimated deficit—that is, the deficiency of revenue below the somewhat artificial Budgetary total of expenditure—is thus reduced to £2,421 millions.

EXPENDITURE (£'000)			
	July Budget Estimate, 1940-41*	Exchequer Issues, 1940-41	Estimate, 1941-42
Consolidated Fund Services :			
Interest and Management of National Debt	280,000	212,957	255,000
Payments to N. Ireland	9,400	9,699	9,200
Other Consolidated Fund Services	7,600	7,476	7,800
	247,000	230,132	272,000
Supply Services (excluding P.O. and Broadcasting) :			
Defence Token Votes	4	5	4
Civil Votes	421,202	402,320	418,733
Revenue Departments	14,919	14,788	16,220
Votes of Credit	3,300,000	3,220,000	3,500,000
	3,736,125	3,637,113	3,934,957
Total Ordinary Expenditure	3,983,125	3,867,245	4,206,957
Sinking Funds	...	17,043	...
Total	3,983,125	3,884,288	4,206,957
Self-Balancing Revenue and Expenditure :			
Post Office	81,722	81,722†	93,746†
Broadcasting	4,700	4,695	5,600
Total	86,422	86,417	99,346

* Including supplementary estimates. † In addition, £2,700,000 was issued to the Post Office from Votes of Credit in 1940-41 and £4,970,000 is estimated to be so issued in 1941-42.

the White Paper will be found in a separate article on page 489.

The estimate of the sources from which the war has been financed follows the method for estimating the "gap" that has become familiar in public discussion. The Chancellor made it quite clear what the inflationary "gap" is. It is the amount of the Government's expenditure against which there is no corresponding release of real resources of man-power or materials by some other member of the community. It is not, of course, the mere excess of expenditure over tax revenue. To arrive at it, not merely the tax revenue but a number of other factors have also to be deducted from expenditure. The first of these is the extent to which foreign capital assets are drawn upon; these capital assets can be converted into goods in foreign countries and there is therefore a real offset against the Government's expenditure. The second (and most obvious) is savings by private individuals arising as a result of their abstention from consumption. A third is drafts on domestic capital—the goods that are drawn out of stock are available for the Government to buy. Another is the extra-Budgetary receipts of the Government—in unemployment insurance contributions, in insurance premiums, etc. A final element is the amount of money put aside by taxpayers to meet approaching tax liabilities. The estimates for all these are shown below :—

	Year Sept., 1939 to Aug., 1940	Six Months Sept., 1940, to Feb., 1941	
	£mn.	£mn.	£mn.
1. Total Government Expenditure*	2,597	2,074	4,148
Offsets :			
2. Revenue	1,148	837	1,674
3. Draft on external capital	542	479	958
4. Draft on domestic capital	60	240	480
5. Extra-Budgetary receipts	113	90	180
6. Increase of tax accruals	140	-20	-40
7. Savings of local authorities, institutions and companies ...	272	131	262
8. Personal savings	320	320	640
9. Total offsets	2,595	2,077	4,154

* Less increase in Departmental and Exchequer Balances.

The totals, it will be noticed, are virtually the same—in fact, they have been estimated in such a way that they are bound to be identical. It is the Chancellor's contention that, in fact, there was no inflationary "gap" in either period. But the point to be grasped is that this contention is not established by the mere fact that the two sides balance. As the Chancellor himself said, "the national accounts will always balance," and even if there were a large volume of inflation of the crudest sort, it would show itself, not in an item specifically labelled "Inflation," but in a swelling of some of the other items, particularly Nos. 7 and 8 in the above table.

The White Paper figures cannot therefore be taken, as they stand, as a demonstration that there has been no "gap" in the recent past. Some of the figures for the six months to September, 1940, to February, 1941, look rather swollen when grossed up to an annual basis. For example, it is difficult to feel quite confident that drafts on domestic capital at the rate of £480 millions a year, or personal savings at the rate of £640 millions a year, would have been possible without some assistance from the creation of credit—particularly in view of the strong circumstantial evidence that credit was, and is, in fact, being created at a considerable rate. The conclusion must be one of some scepticism about the complete absence of a "gap" in the past six months, even though it must have been small, since the inflation would show itself in a rising total of the national income, and the actual rise in 1940 was small

* "An Analysis of the Sources of War Finance and an Estimate of the National Income and Expenditure in 1938 and 1940." Cmd. 6261. H.M. Stationery Office. 8d. net.

and explainable by other causes. Against this, however, it must be remembered that expenditure was steadily rising, that the six months' period for which the estimates are given extended to the end of February, and that some time-lag is inevitable. The scepticism must remain.

The next problem is to move forward from the recent past to the coming year. The first item, of course, is the expenditure. As the Chancellor explained, the passage of the Lease-and-Lend Act makes it inappropriate to include the value of munitions obtained in the United States. The Budgetary total of expenditure, £4,207 millions, is therefore a hybrid; it is neither comparable with last year's total (the Chancellor said that a comparable figure this year would be "far beyond" £5,000 millions), nor is it a figure of expenditure in the United Kingdom, since purchases in other overseas countries are still included. In these circumstances, the comparison is best based on "total domestic expenditure" which in the six months September to February was running at the annual rate of £3,190 millions (item 1 less item 3). For 1941-42 the Chancellor put it at £3,700 millions.

The first question that arises is whether this is enough. There are two causes of a rising total expenditure. One is a rising level of costs. Sir Kingsley Wood has accepted the principle that public money should be used to prevent any further rise in the cost of living, of fuel, or of transport. If, in accordance with his hopes, this can be translated into a similar stabilisation of wages, then he will have been justified in assuming that there will be no further rise in the level of costs, and consequently no expansion of expenditure from this cause. The hope is one that will be shared; but it is a rather sanguine one. Even if wages as a whole can be pegged, there are certain forms of highly desirable activity—training, women's munition work, some forms of heavy male labour—which will almost certainly have to increase the wages they offer. But even if the Chancellor were entirely successful, an increase of only £510 millions—only 16 per cent—seems disappointingly small for the second cause of rising expenditure—that is, rising production. It is impossible not to suspect that the old sin of under-estimation has again been committed, and that the eventual figure of domestic expenditure will be several hundreds of millions more than £3,700 millions.

On the basis of his own figure of £3,700 millions, the Chancellor estimated the prospective gap, before allowing for new taxation and increased saving, at £500 millions. The reasoning is easy to follow. Revenue on the pre-existing basis of taxation would bring in £1,636 millions, the other offsets, on the same basis as in the last six months, £1,522 millions—a total of £3,158 millions, leaving a gap of £542 millions. This the Chancellor proceeded to fill by his new taxation with its yield of £252 millions in a full year (but of only £150 millions in the current year), and by assuming an increase of between £200 and £300 millions in personal savings. This is unquestionably the way in which the sum should be done. But while the method can be accepted, there is more difficulty about accepting the figures. Two possible sources of "gap" have already been indicated: the possibility that there already was a gap of a few hundred millions in the past six months and the likelihood that the expenditure has been underestimated. It is difficult not to see a third piece of optimism in the belief that "genuine" personal savings, which were only some £150 millions in 1938, will have risen to between £840 and £940 millions in 1941-42. The Chancellor's belief that he has closed the gap represents the most optimistic view that can be taken of the position. It is possible to put against it the not unreasonably pessimistic view that there may be a "gap" in the coming year of several hundred—perhaps a thousand—millions.

Sir Kingsley Wood's Budget is thus one which, in its qualitative aspects, can be greeted with almost unqualified enthusiasm. And that is a great gain, even if scepticism about its quantitative details still obstinately lingers.

Impasse in India?

ON Tuesday, the Viceroy of India had a meeting with Sir Tej Bahadur Sapru, lawyer, landowner, and Liberal president of the recent Bombay conference of Indian moderates. This meeting may be a straw in the wind. It is now nearly a year and a half since the retirement from office of the Congress Ministries led to the suspension of the Indian Constitution in seven out of the eleven Provinces of British India. The war effort has grown; and both central and provincial government have gone on. But the political difficulties remain; and it cannot be said that the prospects are reassuring.

The immediate cause of the present trouble was the outbreak of war. India was declared to be at war without any attempt by the Viceroy or the British Government to associate India's political leaders with this decision. The terms of the Congress party for a vote in the Assembly in favour of the war would probably have been a Declaration of Independence and a Constituent Assembly. Mr. Gandhi's creed of non-violence would not have allowed him to sponsor active participation in the war. But behind this immediate cause of the trouble, the root of the problem is that the two chief Indian parties are pursuing irreconcilable ends. The Congress party seeks to make one party synonymous with the State. The Moslem League is determined to prevent the coming into existence of any Central Government which is predominantly Hindu. In recent months, this division has become more acute, for the Moslem League has committed itself to the demand for Moslem secession from Hindu India and for the creation of a Moslem "Pakistan" in the North-West.

Clearly, as long as the two main parties remain obstinately attached to these antithetical policies there is no hope of any constitutional settlement between them. There is indeed only one way in which India's political development can be brought back on an even keel; and that is by agreement and co-operation between Indian politicians. It was presumably the belief that day-to-day co-operation between Indian leaders in the "management" of Indian affairs might restore equilibrium that led to the Viceroy's famous offer of last August. This offer was to set up an enlarged Executive Council at the centre, which, though not responsible to the legislature, would be composed of the main party leaders. It went further. It was promised that representative Indians would have the opportunity of drawing up a new constitution after the war. Both Congress and the League rejected the offer. Although one section in Congress did work in August and September for a settlement on the basis of the offer—with a coalition Cabinet, responsible to the legislature and receiving full Congress support—the party's stand was still for independence. The whole process of discussion was clumsy and maladroit on both sides.

A chief trouble in these abortive months was the status of the Executive Council. In principle, the Executive Council is the pivot of Indian government, and the Viceroy was perfectly right in making its membership the basis of his offer. In practice, however, it is no more than a committee of departmental heads. It has ceased to discuss policy. In the eyes of Indians, membership of this body meant no effective increase in native control over Indian affairs. Some attempt was made, by the Viceroy in India and by Mr Amery in London, to sketch the status of the enlarged Council. Mr Amery suggested that an executive on the lines of the United States, chosen for a term of years and not directly responsible to the legislature, might suit India better than the English Cabinet system. But, in general, Indian opinion was that the proposal was too vague.

In November the Viceroy abandoned his attempt to enlarge the Council; and since then the Government of India appears to have decided that there is nothing to do but wait. It is useless to ignore that this policy of "masterly inactivity" has caused a wave of uneasiness among the non-official population in India. Their complaint is that, while the Government is deliberately holding its hand, there is being piled up in the country material for future trouble. There is a demand that the Government should take the initiative again in seeking a settlement. But it is only fair to recognise the many additional burdens thrown on the Government by the breakdown of the constitution and the task of organising India's war effort. The political problem is appallingly complex. Congress and the Moslem League are agreed only to differ and to oppose the Government.

Yet there is another side to the picture. No section of the opposition in India is pro-Nazi. It is parochial. It is far more concerned with India than with Europe or with the threat to India from Europe. But it is not hostile. Moreover, the present political leaders of Congress and the Moslem League are not all-India. They are much the biggest "parties." Their formal followings are a notable proportion of India's 400 million people; but, even where they follow, the extreme and intransigent attitude of their leaders is probably not the policy that they would voluntarily choose. Congress makes the mistake of assuming that it speaks for all Indians; the Moslem League makes the mistake of assuming that it speaks for all India's 90 million Moslems; the Government of India makes the mistake of assuming that Congress and the Moslem League are India. In fact, there is a middle opinion which has lately become somewhat more articulate; and, from time to time, there have been glimpses of a more conciliatory attitude even among the leaders of the two main parties. Neither is unconditionally opposed to participation in the war effort; and Congress has even expressed its willingness to serve in a "National Government" under a Moslem premier.

The great virtue of the Viceroy's offer is that it set the ball of discussion rolling among India's moderates, and attracted discussion to the status and powers of the Executive Council. The offer failed. The Viceroy said that it was useless to bring Indians into the Council unless they were representative, and by representative the Viceroy meant representative of the main parties. Congress replied that such a council would be useless unless it was responsible to the legislature. But the moderates, while ready to agree with the Viceroy that the Council should be responsible to the Crown and not to the legislature, believe that it is possible to make such a Council sufficiently representative of the common factors in Indian opinion to render it responsive to that opinion. In November a search began for a form of National Government or preponderantly Indian executive, within the framework of the Constitution, which would satisfy both official and the majority of Indian wishes. Mr Amery himself, Secretary of State for India, laid down as the British policy that the Indians must find a way out themselves. He said that, from the British point of view, the Viceroy's offer was the most that was practicable. In December, Sir Tej Bahadur Sapru, as a Liberal spokesman, suggested the formation of a National Executive, made up of non-official Indians, and including an Indian Defence Minister, to be responsible to the Crown. This was an honest attempt to explore and define the possibilities of the Viceroy's offer and to bring it into line with Indian sentiment—for all Indians, moderate or extremist, wanted a National Government of some sort. To the end of the year, however, the Viceroy remained pessi-

mistic. He reiterated that Dominion Status for India was still the objective of British policy; but he declared that "we had done everything in our power."

By now the situation was confused by the irresponsible and totally irrelevant anti-war movement organised by Mr Gandhi, which led to hundreds of regrettable arrests and to the general exacerbation of feeling. By February, over three thousand Indians, many of them eminent, had been tried, convicted and imprisoned; 700 were still detained without trial. This pointless clash and the uncompromising statements of Mr Gandhi and Mr Jinnah of the Moslem League stiffened the growing opinion that a settlement should be arranged. Moslems, Hindus, Nationalists, Liberals and the Provincial Premiers met to discuss; Mr Gandhi himself saw Sir Tej Bahadur Sapru in March; the National Liberals declared themselves for Dominion Status two years after the war. Last month's conference in Bombay was the climax of these discussions. In brief, it called for a Cabinet with non-official Indians holding all the portfolios, including Defence and Finance, responsible to the Crown, but responsive by its character and composition, not only to the legislature but to the bulk of Indian opinion.

There is a tendency for official opinion to regard the situation as hopeless. The Bombay programme tends to be dismissed as unreal because it ignores the conditions which have led to the present difficulties. It overlooks, it is claimed, the gulf between Congress and the Moslem League; and it forgets the refusal of these two parties to have anything to do with the Viceroy's offer—from which the Bombay programme, in a sense, has sprung. It is argued that, if the Government were to show signs of weakening before the pressure of opinion, here or in India, Congress would push its extreme demands and refuse any compromise. Congress and not the Viceroy, it is urged, must consider the Liberal plan first.

It is, of course, true that these Liberals, like Liberals in other countries, are relatively only a handful. Even though they may speak for India, in the

sense of putting out proposals which would satisfy the common factors in national, as distinct from purely partisan, aspirations—as, indeed, they do—they do not speak for any considerable organised body of Indians. They are not leaders. Their demand for the declaration of a time limit for Dominion Status will surely evoke as widespread a sympathy in this country as it does among the generality of Indians; but the official reply is that it is difficult to make a pledge now which the state of Indian politics might make it impossible to fulfil later on.

There is a feeling of disappointment in India as well as in Britain. "Masterly inactivity," however expedient, is not really a policy. Nor is it really any final justification to say that the problem seems scarcely soluble. Indeed, to the eternal loss of India and the British Commonwealth, it may not be soluble. Every item in the difficulties listed by official spokesmen must be admitted. But the British Raj cannot seem to sulk. It may be India's duty to solve India's problems; but it is the British Parliament's responsibility to aid in that solution, and no opportunity, however small, should be left untried. In this eddy of moderate opinion there may be an opportunity.

One thing at least the Viceroy can do, as he waits for Indian intransigence to wear itself down; and that is to set his own house in order. By his side, in June, he will have a new Reforms Commissioner in Mr H. V. Hodson, young, able, a former editor of the *Round Table* and one-time member of *The Economist's* editorial staff. An old Imperial air still hangs about the Government of India which the Constitution itself does not call for. It is shrouded in secrecy; and its Executive Council, the central element in the Constitution and in any workable reforms in the future, has been allowed to rust and languish. While it is a figurehead, the Council will attract no Nationalist members, on any terms. India wants the leadership which neither Congress nor the Liberals, for different reasons, can give. A Governor-General with the understanding of a Lord Irwin or a Lord Tweedsmuir might give that lead.

Hitler's New Front

ON April 6, 1941, about half an hour before the official Notes declaring war had been delivered to the governments of Greece and Yugoslavia, Germany invaded both countries. The pretext—that the Greeks and Yugoslavs had frustrated Germany's peaceful intentions by bringing the British into the Balkans and that German troops must now restore peace, order, and independence—barely merits recording. It is difficult to imagine for whose benefit these masterpieces of blatant falsehood are compiled. It must be a matter of profound indifference to the German people whether or no there is an excuse for each new chapter of slaughter, and the outside world has long since ceased to listen. The declaration of war was met in an undaunted spirit both in Greece and Yugoslavia, and was followed immediately by the announcement that British troops had arrived in Greece some weeks earlier in order to meet such an emergency.

The first attacks fell in the south, and it is clear that no Greek positions can long be held east of the Vardar. Western Thrace is already evacuated, and although small Greek forces in the Struma Valley have put up a fierce resistance, their flank has been turned by a German drive down the Strumitza and Vardar Valleys from Yugoslavia into Greece, where, after capturing Boiran, the Germans have forged ahead to Salonika. The speed of this move suggests that the Germans caught the Serbs unawares and that there was not enough time in the week before the outbreak of war properly to co-ordinate Greek and Yugoslav defence.

It is impossible to say yet how many troops have been cut off in the Struma Valley as a result of the German advance to Salonika. The Greek communiqués have spoken only of Greek forces and unofficial reports suggest that the British forces are massed on a line to the south-west of Salonika.

The news from Yugoslavia is discouraging. By forcing their way down the Morava and Vardar Valleys the Germans have taken Nis and Skopje, and it is difficult to see how the Yugoslavs can now prevent the Germans from driving a wedge between the Yugoslav armies, north and south. The military position in the west is more favourable. The Yugoslavs are advancing in Northern Albania. Scutari has already fallen, and another Yugoslav column is said to have crossed the Eastern frontier. Here possibly it can make contact with Greek forces between Pogradets and Lin, and their combined pressure should have awkward consequences for the Italians, already weakened by costly offensives and discouraged by their failure.

There have naturally been important diplomatic reactions to Hitler's latest act of aggression. The British Minister in Budapest has been withdrawn now that Hungary has become a base for an attack upon Britain's ally, Yugoslavia. That the Hungarians may be compelled to play more than a passive part is suggested by the suicide of their unhappy Prime Minister, Count Teleki, who saw no way of reconciling Germany's demands with even the nominal independence of his country.

The Turks have made no move, and the Treaty of Ankara has at last received its definitive interpreta-

tion. It guarantees Turkey in event of an attack upon Turkish territory but imposes no binding *quid pro quo*. The Turks are, it is true, performing some sort of negative rôle in that they keep one or two German divisions immobilised on the Turco-Bulgarian frontier, the strategic difficulties in the way of intervention, great in any case, have become insuperable with the German occupation of Dedeagach. It is also true that Turkish policy is very much under the influence of Russia, and the key to Turkey's attitude is to be found not in Ankara but in Moscow.

The Russians are obviously angry and perturbed at Germany's relentless advance towards the Dardanelles. They are equally anxious about their long, vulnerable frontier with the Reich. There are, from the Russian point of view, many disquieting signs that the Germans, foiled in their attempt to smash their Western front first, may be returning to their earlier plan of first settling accounts in the East. If this were their plan, the Balkan fighting might well be a limited campaign designed to free the German flank while the real drive would be yet to come—against the Straits and Turkey and against the Ukraine. Russia's recent diplomacy can be explained in terms of such preoccupations. The Russians are still anxious to avoid open provocation. They will not come to anyone's assistance, and they must at all costs keep their armies intact. They are equally anxious to ensure that Turkey will, on the one hand, preserve its strength for the defence of the Anatolian bridge to the Caucasus and on the other, fight when the German onslaught begins. Hence the guarantee to Turkey which specifically covers only a defensive war. In the Balkan peninsula, it is to Russia's interest that all possible resistance be offered immediately so that the Germans' preliminary campaign shall be as prolonged as possible. A great welcome was therefore given to the Simovitch régime in Yugoslavia, and Russia went as far as was com-

patible with giving no provocation to Germany in encouraging the enthusiastic pan-Slavism of the Serbs. This is probably the meaning of the Russian-Yugoslav Pact of Friendship and Non-aggression signed on the day of the German invasion.

Whatever the outcome of the Balkan war, it must not be forgotten that the very fact of a Balkan war entails a setback for the Nazis, and that every day it lasts is a day lost to them. Hitler has done all in his power to keep South-Eastern Europe out of war. The Balkan countries are sources of supply whose necessity to him has been vastly increased by the blockade. Balkan communications play a vital part in bringing the supplies not only of South-Eastern Europe, but of Soviet Russia to the Reich. Now the crops, the mining installations, the factories, the oil storage plants and refineries of the Balkans have been brought within range of the British bomber, while the roads and railways are congested with military traffic. As the range and power of British bombers increase and the devastation of war spreads, supplies and communications will be the first to suffer.

At the same time, while the original plans of the German High Command have not been published, it seems certain that the Balkan war has compelled Hitler to modify his general strategy. The concentrated attack on this country must be delayed, there has already been a diversion and dilution of Germany's military resources. All this is pure gain, whatever the outcome of the Balkan campaign. Losses are inevitable on its difficult terrain. The Germans have a great local superiority, and one at least of their adversaries, Greece has already borne the brunt of six months' exhausting struggle. It is as well, therefore, to bear in mind the concrete advantages the Allied cause has already gained in order to balance them against any reverses that are to come.

NOTES OF THE WEEK

Calling all Men?

The aim of manpower policy is now clear; its actual direction is less plain. The aim is to keep out of the Forces only those individuals who are indispensable men in indispensable work. The new Schedule of Reserved Occupations and Protected Work is intended to make the comb of calling-up finer. Until now, men of set ages have been reserved if they belonged to one of a list of "occupations". Now the ages for reservation in most occupations are to be raised in three stages—probably April, June and October; and, in addition, men in registered establishments in certain industries which are to be called "protected" will be reserved at a lower age. So far, this is still the principle of reserving men in occupational groups, with no specific regard to their actual tasks, though the protected groups are much smaller than the broad categories of the old Schedule. But the distinction is drawn, within the same industry or occupation, between men who are doing protected work and men who are not; not all men in protected establishments will be protected; and it is laid down, as a directive, that, even in armament work, young men should not be kept on in work which could be done by older men or women. Nevertheless, it remains doubtful whether the stated aim will in fact be attained. The point is that individual workers are still not being treated as individuals, but in groups. The possibility of dispensable men being kept in indispensable work has been fined down considerably; but, broadly, it is still left to individual employers to see to the national interest.

* * *

A Man's Job

The most cursory glance at the revised Schedule of Reserved Occupations and Protected Work shows that the old bogus principle of "occupation" has been widely retained. To take only one example (chosen strictly alphabetically), accountants and actuaries are still to be

reserved at 30 or 35. Actually, to make the new principle of individual selection effective, no accountant or actuary should be reserved at any military age unless it can be proved that he, individually, is an indispensable man in an indispensable job. True, there is now provision, on an individual basis, for the complementary task of ensuring that indispensable men in occupations which are not reserved—or not reserved at the ages of the individuals concerned—shall not be taken away; and the young women who are to register in age groups from this month onwards are to be individually interviewed. But the virtue of the selection interviews for women is now to be whittled down by the imposition upon them, too, of this detailed Schedule of Reserved Occupation, which will keep a large proportion of them away from registration altogether. Some people in most of the occupations listed are indispensable, but not by any manner of means all; and, if the full and effective mobilisation of labour that is spoken of is really to happen, there is a good case for scrapping the rough-and-ready principle of "reserved occupations" entirely, for both men and women. It is the individual and the work that he or she is individually doing that count.

* * *

Strikes in the U.S.A.

The strike in the bituminous coal industry and the threatened strike in the United States Steel Corporation's plants have been referred to mediation, but the long Allis Chalmers dispute is dragging on and the River Rouge strike against the Ford Company has caused the closing of other Ford plants. All these strikes and threatened strikes are in industries vitally concerned with national defence, and there is no doubt that public opinion is beginning to show impatience and irritation. The President is faced with a very awkward problem. The right of workers to organise has been written into the law; it has been championed by the President and

upheld by the Supreme Court. Where employers are resisting that right, they are undoubtedly breaking the law, and such is the reputation of United States' capital in its dealings with labour that there should be strong *a priori* sympathy with the position of the workers. It is significant that Mr Ford, one of the worst employers with regard to trade union rights, has used the expedient of securing a Federal Court injunction to prevent picketing by the CIO. It is a move which has a literally bloody record in United States industrial history, and is—and was intended to be—provocative. On the other hand, the workers are alienating all claim to public sympathy by both the violence with which they are conducting the strikes and the extent to which the stoppages are due to so-called "jurisdictional" disputes, that is to say, the competing claims of the AFL and the CIO to organise and direct the workers. The general public is not prepared to see the country's defence programme held up and the efficiency of America's help to Britain impaired by what is generally held to be a personal feud between Mr Philip Murray, of the CIO, and the veteran Mr William Green, of the AFL. Demand for presidential action is growing, and Mr Roosevelt is likely to be faced with the problem of enforcing a decision on men whose right to decide for themselves he has always upheld.

* * *

Benghazi Evacuated

The evacuation of Benghazi, followed by further German and Italian claims of an advance along the coast to Derna and Barce came as a sad disappointment to the British public. The speed and daring of General Wavell's advance captured people's imagination both in this country and across the Atlantic, and when General Wilson was made Governor of Cyrenaica the feeling was widespread that one phase of the African war had been brought to a successful end. With the original fall of Benghazi, however, the decision had to be made whether the Imperial forces in Cyrenaica were to complete the capture of Libya by advancing to Tripoli or whether the situation created by the occupation of Bulgaria by the Germans demanded the despatch of all possible men and materials to Greece. Since the decision to aid Greece and the despatch of troops to the Greek mainland unquestionably influenced Yugoslavia's fateful *coup d'état* and heartened the Greeks to continue their struggle against overwhelming odds, it cannot be said that the decision was wrong; least of all can the armchair strategists at home cry out against it and demand post-mortems now that the weakening of the Cyrenaican front is being exploited by the Germans. It is likely that the Imperial forces were surprised by the size and weight of the German attack, but in Cairo it has been rightly pointed out that in desert as in sea warfare, it is not the occupation of strategic points so much as the loss or capture of men and materials that is really decisive. The Italians lost over 150,000 men and vast stores of equipment. It cannot therefore be said that the Cyrenaican campaign was fought in vain. In the long run, too, it may be that, by tempting the Germans on to a front where their lines of communication are as difficult to maintain as those of Britain, a struggle may develop in which, faced with comparatively equal odds, the Imperial forces can break the legend of the German Army's invincibility as conclusively as their comrades in the R.A.F. have exploded the legend of the *Luftwaffe*.

* * *

After Addis Ababa

The Italian collapse in East Africa—which the fall of Addis Ababa and the subsequent fall of Massawa have brought within reasonable distance—will undoubtedly give the Allied High Command in Cairo much needed help in the difficult and hazardous game of timing and priorities. The claims on Britain's Middle Eastern forces are growing daily. Every soldier, every aeroplane, every tank spared from Abyssinia is needed to do the work of three in Greece or in Libya, and although events in the Balkans overshadowed the remarkably rapid drive which brought the Imperial troops into Addis Ababa, the collapse on this front may have decisive effects elsewhere. One consequence will be the opening of the Red Sea to American ships. True, this is a somewhat long-term consideration, but there is nothing to suggest that the crisis in the Middle East can be settled—by either side—with any speed, and to whatever sector of the potential Middle Eastern battlefields the struggle is car-

ried, reinforcements reaching the Suez Canal in American bottoms will mean an enormous reduction in the pressure on Allied shipping space. The immediate problems in Italian East Africa are on the one hand mopping-up operations between Adowa and Addis Ababa; on the other, care for the welfare of the Italian non-combatants. The Italians are always perfectly content to leave their people in British care, and it is fortunate that the Imperial forces have arrived in time—in Asmara, Direedawa and Addis Ababa—to prevent disorder. General Cunningham has not, however, received a *quid pro quo* from the Italians in the shape of surrender. Leaving their women and children to the safe keeping of the enemy, they have withdrawn to Dessie to prolong as far as possible the diversion of British resources from other fronts.

* * *

A War Transport Council

The volume of evidence showing that Great Britain is not making full use of the capacity and flexibility of transport is steadily growing. And as the inadequacy of transport as a whole is seriously impeding the war effort on the home front, the demand for a more enlightened policy has become more insistent. In its eighth report of the 1940-41 Session, the Select Committee on National Expenditure drew attention to the need for speeding up the movement of coal. In its tenth report, it laid bare the failure of transport adequately to second the effort of the merchant marine by the rapid clearance of goods at the ports. Other, if circumstantial, evidence suggests that munition factories are often hampered by the irregular delivery of essential materials and by their inability to move finished goods to their destination on schedule. It remains to be seen whether the War Transport Council, set up by the Minister of Transport to advise him on questions of policy, will solve the problem. According to a communiqué issued by the Ministry of Transport on April 5th action has hitherto been directed mainly "towards the strengthening and, where necessary, reorganisation of each separate section of transport."

THE NEW YORK TRUST COMPANY

Capital Funds . . \$37,500,000



BANKING
AND
FIDUCIARY
SERVICES

100 BROADWAY

CABLE ADDRESS
NYTRUSTCO

MEMBER OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

And, since this work is now actively in hand, the Minister has decided "to embark on a new and important step, namely, the co-ordination of all forms of transport from a strategic point of view." The relation between the new Council and the Ministry is to be the same as that between the Board of Admiralty, the Army Council or the Air Council and the fighting departments. The list of its members is as impressive as the Ministry's communiqué is grandiloquent. It includes Lord Stamp (chairman of the L.M.S.), Sir A. G. Boscawen (chairman of the Transport Advisory Council), Mr J. F. Heaton (chairman of Thomas Tilling Ltd.), Lt.-Colonel Sir Maxwell Hicks (chairman of McNamara and Company Ltd. and Allied Transports Ltd.), Sir William Prescott (chairman of Lea Conservancy Board), Mr J. D. Ritchie (general manager of the Port of London Authority), Mr A. Deakin (acting general secretary of the Transport and General Workers' Union), and Mr W. P. Allen (general secretary to the Associated Society of Locomotive Engineers and Firemen). The Parliamentary Secretary, as well as the Permanent and Deputy Secretaries, to the Ministry of Transport will also serve on the Council. But the impressive character of the names is the Council's main weakness. It is a representative body, a federation of transport interests (each of which will wish to preserve its sovereign rights), not a unification of transport. It is doubtful whether such a body, however eminently constituted, will be able, first, to see the problem as a whole and regard and treat the various means of transport as so much interchangeable carrying capacity, and, secondly, to secure the rationing of facilities in accordance with a schedule of priorities. Indeed, there is a danger that the whole transport problem may once more be shelved behind the screen of the new Council, and that it may become a boundary commission demarcating the rights and functions of the various means of transport represented on it, instead of a joint executive to run them as one unit in the national interest.

Atlantic Casualties

At present, shipping losses are given out some ten days after the week concerned, and this haste to give out news, good or bad, is commendable. Actually, there is a strong case for delaying these announcements. It is true that this information is needed to counter the speedy publication of quite fictitious sea successes by the enemy. But the main aim is to give an accurate view of the course of the Atlantic battle, and the truth is that in ten days not enough is known about what has happened to particular ships to make the losses announced more than very rough and provisional. A Note in *The Economist* last week (on page 442) showed, since the New Year, the frequent wide divergence—which, in the present timetable, is quite unavoidable—between the original figures and subsequent announcements. This week—coupled with the announcement that British, Allied and neutral losses were 77,575 tons in the week ended March 30th—comes the information that the losses for the week ended March 16th—originally 72,000

tons and then raised to 95,000—are now known to have been 146,000; losses in the week ended February 23rd, originally 61,000 tons and raised to 69,000, are now 100,000. Obviously, the announcements should either be delayed by a further week or fortnight or they should be ostentatiously labelled "provisional," and much fuller publicity should be given in the Press and on the radio to the corrected figures—which, of course, are always promptly made known. The aim is a true picture, and it is the duty of the authorities and of the newspapers and the BBC to adjust the balance of their publicity accordingly. The situation at sea is bearable but serious, and the facts should be taken closely to heart by a public whose personal economy can ease the strain. The Forces are striking back with success. But a public, which is given in detail the encouraging news of the tremendous battering of Kiel (where U-boats are made) and told of the Admiralty's confidence in its defence measures, should not be allowed to have an attenuated impression of what is actually happening at sea.

The Land

Last Thursday's Commons' debate on food production was remarkable chiefly for the clarity of the statement made by the Minister of Agriculture, Mr R. S. Hudson, and for the weight of the criticism delivered by Mr Lloyd George. Both speakers devoted considerable time to an exposition of the seriousness of the present food position, indicated by the necessity of feeding some 6,750,000 more persons than in the last war from an area of arable land which had fallen by some 4,500,000 acres. Mr Lloyd George made effective reference to the comparative rate of sinkings in the first nineteen months of the Four Years' War and the present war—an argument which is reinforced by the latest announcements of shipping losses. By general consent, the failure to take all suggested steps for the reclamation of derelict land, the fertilisation of land freshly ploughed up—Mr Lloyd George made the disturbing statement that, despite substantial ploughing-up in 1939, the increase in output remained negligible—and the provision of additional machinery, especially in hill farms, is due to shortage of labour, machinery and fertilisers. And, in the delicate matter of competition in priorities between the Ministry of Agriculture and the Ministries of Labour, Supply, Shipping and the Service departments, it is still possible that insufficient weight is attached to Mr Hudson's claims. If serious food shortage is to be avoided, the output of home-grown food must be increased much more substantially than in 1939. In the background there remain the problems of British agriculture in normal peacetime conditions. Does the threat of blockade in war compel the adoption of a system which artificially bolsters agricultural production in time of peace? Does cheap food inevitably militate against security? Clearly, the solution of the problem depends on the prospect of post-war stability; but it would be a policy of despair to carry over into the post-war world agricultural ambitions and criteria dictated by the war.

Crisis in Iraq

The timing of the Iraqi coup d'état, by which the High Command has seized power and violated Iraq's constitutional and parliamentary system of government, confirms all earlier suspicions of Axis influence. It has come at a most embarrassing moment from the British standpoint, and if the Balkan campaign is in Hitler's plan a preliminary to more extensive activity in the Near East—say, at the expense of Turkey—the Allies may be faced there with an ugly military situation. The forces which are behind the new military dictatorship in Iraq—notably the pan-Arabian and anti-British attitude represented by the Mufti of Jerusalem—are also at work in Syria, and Axis propaganda has long been attempting to exacerbate local hostility against French and British "imperialism," and to argue that, with the Allies preoccupied elsewhere, now is the time to "throw off the yoke" and to achieve an independent pan-Arab Confederation. It is difficult to say how far the new regime in Iraq has swallowed the whole Nazi bait. The new government, led by Sayid Rashid el Gailani, has declared its determination to observe Iraq's treaty relations with Britain, but the tone of the Press and rumours that Iraqi troops have occupied an RAF airfield outside Baghdad suggests that Britain may have to face a serious challenge

in the Near East. However, it is not certain that the new regime commands universal support in Iraq. The Regent has retired to Basra, the centre of the Shiite sect, who form the majority of Iraq's population—the army clique at Baghdad are Sunnite—and has issued a proclamation denouncing the military coup. The blow fell when Parliament was in recess. It remains to be seen whether the members will take their exclusion without a struggle. Unfortunately, the Army appears to be united in its support of its superior officers, and in these days of war and rumours of war, this may be decisive.

Mr Matsuoka Goes Home

Mr Matsuoka is on his way back to Japan. His visit to the Axis capitals has not been uneventful, and it is difficult to picture what went on in his astute oriental mind behind the elaborate compliments and fervent protestations with which his oratory was sprinkled. The Germans gave him his marching orders, maintaining bluntly that Japan could no longer remain aloof, and the time for a drive south to Singapore had come. But there is nothing in the present situation to suggest that the time is ripe now than at any other period since the signature of the Axis Pact last September. Hitler's patience may, it is true, be exhausted, but Japan is neither small enough nor near enough to find this a compelling argument. Now, as before, the Japanese will make a realistic calculation of the risks and advantages entailed in a "forward" policy. The mood of the United States is infinitely more war-like than it was last autumn, and it is significant that there has been a joint meeting at Manila between President Quezon, Sir Robert Brooke-Popham, and the Dutch Foreign and Colonial Ministers. Germany has still no *quid pro quo* to offer in return for a Japanese diversion in the Pacific. The Russian question is also unsettled, and here, conceivably, the deterioration of Russo-German relations may help Japan. Ribbentrop could not persuade Russia to come to an understanding with Japan, but the German Army may provide more compelling reasons. If the Germans were to attack Russia, it would be worth some sacrifice on Russia's part to ensure that Japan's attention was turned elsewhere. Mr Matsuoka has at least found enough to discuss to prolong his return visit to Moscow from three days to a week. In the meantime, there have been a series of reverses in Central China and a further strengthening of conservative elements in Prince Konoe's Cabinet. Mr Ogura, the new Minister without portfolio in control of economic affairs, is not an advocate of totalitarian methods while Mr Hoshino, who has been superseded at the Planning Board, undoubtedly was. It is therefore possible that Mr Matsuoka will not find a very adventurous spirit prevalent on his return.

A Debt Discharged

The balance in the Unemployment Insurance Fund at the end of last December was £54½ millions, which the Unemployment Insurance Statutory Committee (as stated in their eighth report, just published) have decided to use to pay off the Unemployment Fund's debt of £38½ millions, holding the balance as a reserve. The view of employers' organisations was that insurance contributions should be reduced. The trade unions' view was that benefits should be increased; that the three days' waiting period before receiving benefit should be abolished; and that the so-called Anomalies Regulations affecting married women should be withdrawn. The view of the Beveridge Committee, as it is called, is that, since the Fund must be prepared to meet serious unemployment and dislocation after the war, the surpluses made in wartime must be held for the "rainy day"; they are not "disposable" to relieve contributions or augment benefits. It is true that the greater part of this year's surplus has been applied to pay off debt. But it would obviously have been anomalous to have carried, side by side, a large debt and a considerably larger credit balance; and repayment means an immediate gain to the Fund's income account of 8 per cent of the sum paid back. The question whether Parliament, in the Acts of 1934 and 1938, should have laid the debt arising from the depression period, when insurance broke down, upon the Fund is debatable, but not the Committee's business. In 1934 it was £100 millions. This year it has been paid off—in 1941, not 1971, as was originally arranged; and at the end of next December the credit balance

of the Fund, it is estimated, will be about £55 millions—"by no means an excessive provision for the loss . . . in the aftermath of war," if the war should end next year. It is quite impossible to cavil at the Committee's interpretation of its duty, though its acceptance of the present scales of benefit as sufficient in war conditions may be questioned. The hardship imposed by the waiting period on people thrown out of work by air raids is admitted. So, too, is the need to re-examine the regulations now that married women are being called back for war work. But it is Mr Bevin who has emergency powers to deal with these matters, not the Committee.

Down to Earth

Preparations for planning the use of land and the development of cities are gathering momentum. Early in the war, it was widely urged that the Royal Commission on the Geographical Distribution of the Industrial Population, which had just reported, should remain in being to watch the distortion by war conditions of the problems they had surveyed exhaustively. Now, in a Consultative Panel on Physical Planning appointed by the Minister of Works and Buildings, members of the Commission (including its chairman, Sir Montagu Barlow), together with several experts who put the shrewdest evidence before it, form the core. It is a splendid sign that this planning has every chance of starting with physical facts and not fancy theories. Test surveys are being made of Coventry, Birmingham and Bristol, all blitzed areas. The London County Council has been asked for a plan for London. The committee which was set up to consider ways of preventing speculation in bombed land—a problem of development and redevelopment which, in fact, goes far beyond bombed land—is to report almost at once. And the knowledge that Lord Reith's panel is, on the whole, made up either of the most hard-headed of architects and town planners or of the men who have delved most deeply into the social and economic problems of land use and urban growth is most encouraging.

Latin America and the Axis

Latin Americans, who attach great importance to international law and correctness of international procedure, have been deeply offended by the Axis attempts to damage or scuttle their own ships, and whatever popular ground Germans have gained for themselves by their propaganda—and it is very small—has been largely lost. Peru is a sufficient example of this. Two German ships attempted to escape from Callao, and on being intercepted, set fire to themselves; two more also scuttled themselves. But the government had evidently decided that the time had come to take general action; the office of the Transocean News Agency was closed, the *Lufthansa* Airline was given 90 days in which to wind up its operations, and during this period each aeroplane in flight is compelled to carry a Peruvian officer. The President of the Republic, in taking these measures, has not only had the full support of the Vice-President, whose admiration for the Allied cause is well known,

INSURE WITH



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

HOW YOU CAN DOUBLE YOUR PRIVATE INCOME

PURCHASE AN ANNUITY FROM THE
**SUN LIFE ASSURANCE
COMPANY OF CANADA**

(Incorporated in Canada in 1865 as a Limited Company)

Write for particulars to H. O. Leach (General Manager for British Isles)
141 SUN OF CANADA HOUSE, PALL MALL EAST, LONDON, S.W.1

but that of the whole people. Meanwhile, it is known that in the neighbouring republic of Ecuador, the *Sedta*, the German airline, is under the close surveillance of the government, which is highly suspicious of its presence and activities. This suspicion was not abated recently when one of the company's machines flew over the disputed frontier zone between Peru and Ecuador, displaying the flags of both nations. This action, by an aeroplane belonging to a company domiciled in Ecuador, rightly roused protest. It was explained with becoming unction that the pilot had lost his way. It was more widely believed by the cynical that here was one more example of German fishing in troubled waters. What could have been gained by exacerbating this already troublesome dispute is difficult to see. Two conclusions are, however, fairly clear. Firstly, if the Germans are not very popular on the West Coast of South America, they have only themselves to thank. Secondly, the gaps left in these air communications provide a supporting argument for the general case for British airways in Latin America. For its broad justification this case rests upon other and more substantial grounds. Admittedly, any such schemes encounter almost insuperable financial obstacles in wartime; but if the future of passenger and mail transport and even certain types of freight carriage is in the air in Latin America, it seems lamentable that Great Britain, the pioneer of shipping and rail routes in that region, should lag behind. Italian, German, Dutch and French lines were, in 1939, in full activity and development; and Panamerican Airways controls a remarkable network of lines.

Holidays Ahead

The Government's decision to allow national holidays on Easter Sunday and Easter Monday was a pleasant surprise. After the cancellation of the Whitsun, August and Christmas Bank holidays last year it almost appeared that Bank holidays had been banished until the end of the war. The grant of the present mercy indicates no slackening in the production drive. It is rather in the best interests of higher output and it is provided that work is to be continued in cases where "requirements are sufficiently urgent." Indeed, this loophole will result in the withholding of the holiday from precisely those workers who most urgently need it and whose productive powers it is most important to sustain and fortify. Last year, the country drew on capital to the extent to which it exhausted reserves of drive and energy possessed by working men and women; while the short-term need was supremely urgent, this was inevitable. In January, the Select Committee on National Expenditure declared that a reduction in munition workers' hours should take place at once before their health was seriously affected—as it was in the last war. In 1917, it was proved that the reduction of munition workers' hours by a fifth would increase output. Absenteeism, which has been appreciable, is in part at least a sign of undue strain; and overtime is costly as well as strenuous. In 1941, the whole country is working for a long war and every consideration must be exercised, in the interests of production itself, to ensure that the labour force shall stay the course—and that it shall be assisted to maintain a maximum output over the whole period. The question of summer holidays in industry is still under consideration. Last year, broadly speaking, the industrial population took no holidays. Working longer hours, they passed straight from the strain imposed by the spring campaign and the French collapse to the strain of severe bombing during the autumn and winter. Some relaxation will have to be permitted during the summer, if fatigue and illness are not to reduce output during the crucial winter of 1941-42.

Gas Precautions

In the last few weeks the public has been urged to take the possibility of gas attacks seriously, and publicity campaigns and rehearsals have been taking place on a scale reminiscent of those for ARP in the months before air raids started. Following up Mr Morrison's broadcast of a fortnight ago, a pamphlet, giving full instructions on what to do in a gas attack, is being issued to every household. Attempts are being made, too, to encourage the public to carry their gas masks. The campaign will be useful, because although before the war the gas danger was grossly exaggerated—as,

indeed, were all the perilous consequences of aerial bombardment—the fact remains that on certain occasions in certain places gas may be used, and the facilities for dealing with it ought to be well known, available and in working order. But it would be the greatest mistake if the Government were to take the advice urged in many quarters that carrying gas masks should be made compulsory. Not only would compulsion be extremely difficult, if not impossible, to enforce, but it would cause great irritation and quite spoil the admirable good temper with which most people have treated air raids. The regulations of September, 1939, forbidding all forms of sport and entertainment all over the country were a great mistake. When raiding started in earnest, there was no need to reimpose them, for the people themselves quickly sized up the risks and decided which were worth taking. It may be argued that carrying the gas mask is a simple matter, although the experience of the Lost Property Office of London Transport proves quite otherwise. Nevertheless, air raids have shown that the personal danger element of ARP, such as sheltering and curfew, is essentially a case for empirical treatment. So let it be with gas.

War Damage: Correction

On page 444 of *The Economist* last week, it was stated that the War Damage Commission would begin its work in the provinces "in about six months." This, of course, should have read "in about six weeks."

Shorter Notes

It is bad news that a typhus epidemic has broken out in Spain. Fortunately, it has not reached serious dimensions—the number of cases in Madrid up to last week being about 300, with a death roll of 27, while there are smaller outbreaks reported from a few other towns—and the vaccine sent from America is proving successful. But typhus is a hunger plague, and, quite apart from humane considerations, if it were to spread across the frontier to France, the pressure on Britain to relax the blockade would become greater.

The regulations governing dependants' allowances for soldiers' dependants other than wives and children have been amended in accordance with the principles of the Determination of Needs Act. In future only the income of the dependant, and his or her wife or husband, and of any sub-dependants will be taken into account, instead of the resources of all members of the dependant's household.

When the second hour of summer time comes into force next month it will not, after all, affect the cow, for the time of milking will be governed, not by the new time, but by "ordinary" summer time. The latter will also apply to hours of work for farm labourers.

The demands on woman-power have emphasised the inferior status, in respect of pay and conditions of work, of the highly skilled woman's profession of nursing, and there is a prospective serious shortage of nurses in civilian hospitals. Since nursing is an occupation which women can hardly be compelled to take up, the only method to gain recruits is by improving the conditions vis-à-vis other jobs. Last week Mr Bevin announced an increase in the salaries of members of the Civil Nursing Reserve, and also a higher rate for those who wish to take up nursing as a life career. The latter will henceforward receive salaries of £40 a year with annual increments of £5. But there is no immediate prospect of putting nurses' salaries on a national basis like those of teachers, and it cannot be said that £40 a year compares favourably with the wages of domestic servants in many districts, even though it includes superannuation rights.

The Civil Defence Duties (Compulsory Enrolment) Order has now been applied to Manchester and certain towns in Kent and Sussex, as the number of volunteers for fire prevention duties in these places is insufficient to enable the local authorities to make adequate arrangements for fire prevention in areas not covered by the Fire Prevention (Business Premises) Order. It is to be hoped that the use of compulsion will not cause volunteers to resign in the belief that they will no longer be necessary.

THE WORLD OVERSEAS

Hongkong Faces a New Threat

[FROM OUR HONGKONG CORRESPONDENT]

March 11th

THIS colony has become so hardened to Japanese threats that the sudden alarm raised in Australia, Malaya and elsewhere recently came as a surprise. It has been obvious for some time that the Thailand-Indo-China border dispute was artificially created and that the rôle of mediator was adopted by Japan from ulterior motives. Further developments in her southward drive depend upon the situation in Europe, but the feeling here is that unless Japanese militarists "go mad dog" an attack on British territory is unlikely. With business flourishing, despite the blockade of the China coast, Hongkong has become somewhat complacent, but the military defence of the colony is in a high state of efficiency, and during the past year considerable progress has been made in civil defence. The problem of food reserves has been energetically tackled, and an extensive system of tunnels and shelters for protection against air raids is now nearing completion. It is gratifying to find that the educated Chinese are co-operating wholeheartedly with the local ARP, medical and police authorities; and although the large percentage of destitute refugees is a heavy burden on the community, there is no doubt that the colony is well prepared to withstand any hostile attack.

The Hongkong Government has been subjected to extensive criticism in regard to its financial policy as well as to the administration of certain departments. Unofficial members of the Legislative Council have shown an unusual keenness in debate, and their combined pressure has effected a reduction in the budgeted deficit from \$7½ millions to \$3,856,000. While there is certainly justification for check on extravagance, the unofficial opposition may discourage the efforts of Government officials to raise the standard of some of the public services which are admittedly low. Chinese tradition has many admirable features which have stood the test of time, but it possesses other features which must undoubtedly yield to the requirements of modern science. The process of change is painful; but with modern China rapidly forsaking the basis of the family unit tradition is losing ground, and it is unfortunate that the progress which enlightened Chinese opinion demands is hampered by financial limitations. The criticisms of Government administration are mainly due to the difficulties of adjusting existing departments to a war footing and of setting up new departments to cope with war requirements. As has been the case with the Ministry at home, some of the holders of office here lack drive and adaptability, but unlike their more illustrious opposite numbers they are sheltered by the rules of the Colonial Civil Service and cannot be called upon to make way for others more fitted to stand the strain of the present exceptional times.

Chiang-Kai-shek made a very full reference to the Communist Party's claims to special privileges when addressing the National People's Political Council which assembled in Chungking during the past week. The Communist leaders have been a thorn in the Generalissimo's flesh throughout the course of the war with Japan, but until recently he has been able to hide the trouble they have caused him. His patience has, however, been sorely tried, and he has now openly threatened to take stern action unless they obey the orders of the Central Government. It is difficult to make out what lies behind the dispute, for the published demands of the Communist Party throw little light on it. But it appears that the leaders of the party are insisting upon a much greater share of power, and as the Communist armies are an important part of the

country's defence, Chiang-Kai-shek is placed in a dilemma. He is, however, a past master at dealing with awkward situations, and he will strive his utmost to preserve the unity of China which he has achieved in so short a time and in such discouraging circumstances.

Portugal's Calamity—England's Opportunity

[FROM OUR LISBON CORRESPONDENT]

March 1st

As yet no exact estimate of the damage occasioned by recent storm and flood can be made. A figure of £5,000,000 has been mentioned; as an estimate it is conservative. Crops of figs and almonds, sardine boats and nets, olives, cereals and woodlands have gone; from the Algarves in the south right throughout the country into the Serra da Estrela and the Minho the cyclone swept, with torrential rains before and after its blast completing the ruin. The Government and people have behaved magnificently; relief work has begun; and subscriptions in aid of the many personal sufferers are pouring in.

It is, however, to the future that all thinking persons in Portugal look with the greatest anxiety. This will be a black year at best, but if Portugal cannot improve her trade by making the fullest use of the commodities she does export, both home-grown and colonial, it must culminate in deep disaster. On this account there is a general feeling that the recently concluded Anglo-Portuguese trade agreement ought to be put in force without delay. As *O Seculo* writes, in a leading article entitled "Not by words alone . . .," while kind words and expressions of sympathy by the British Press are most welcome, "England now has an opportunity to show by her deeds what her sympathy for her old and faithful ally is worth." Referring to the trade agreement, *O Seculo* says that while the diplomatic part of the business was speedily put through, the same cannot be said of the practical details. Day by day the position of the country grows more serious. "Is it on account of the exasperating delay characteristic of certain English bureaucratic organisms, apparently pleased at being able to interpose all sorts of obstacles to the realisation of the agreement, or are other causes at work of which we know nothing?"

Such an attitude is most regrettable, the paper continues, adding that it must be admitted that on more than one occasion the delays and the lack of understanding shown, both of their own and of other people's interests, by official departments, have made many steps, tardily taken, of no practical use. They have not even served to attenuate, much less remove, the impression of the ills they were designed to remedy.

THE COMMERCIAL BANK OF SCOTLAND LIMITED

Incorporated by Royal Charter and Act of Parliament

PAID-UP CAPITAL - - - £2,250,000
RESERVE FUND - - - £3,150,000

ESTABLISHED 1810

This is straight speaking, and British commercial opinion in Portugal wholly supports the *Seculo's* honest criticism. There is grave danger of Anglo-Portuguese trade relations becoming entangled in a ravelled net of ill-informed, if well-meaning, departmentalism, the key-note of which seems to be: do nothing and then nobody can say you did wrong. Departmentally this may be all right for the subordinates, who thereby hang on to their jobs whatever happens, but it is playing the very devil with British export trade, and, as the *Seculo* points out, it also alienates the sympathies of those who, however convinced they may be of the righteousness of Britain's cause, must eat to live and can only do so by retaining some part at least of a trade sadly diminished through no fault of their own.

The Deterioration of Hungary

[BY A CORRESPONDENT]

April 5th

THE suicide of Count Teleki, who did not feel able to carry on "his difficult and unhappy task," is a tragic revelation of the effect on patriotic statesmen of compliance with Hitler's demands. It emphasises, if emphasis is needed, that Hitler's "New Order" means political subservience and economic deterioration for the countries joining it. Hungary's economic position within its framework is, indeed, the same as that of all Balkan countries; she has to supply Germany with agricultural products and raw materials and to purchase from Germany as many manufactured goods as possible, thus destroying the industrialisation which has been pursued for many years.

That Germany's aim is to reduce Hungary to a purely agricultural country is shown by utterances of the German Press. For example, *Das Reich*, of February 23, 1941, writes that the development of the Hungarian industry is limited by its supply of raw materials and its markets. All the new factories built up since the Great War have a big demand for imported raw materials which is especially unfavourable felt in wartime. On the other hand, the formerly large exports of agricultural products have steadily decreased and the output of the flour mills is now 40 per cent of capacity. By the recent expansion of Hungary's territory, the raw material basis was enlarged by metals, coal, timber, etc. The territory itself, however, is no gain for the country's purchasing power, so that the outlet for industry has not been much increased. The possibilities of industrial development, therefore, are limited, although for armament reasons some branches (for example, an aluminium factory) have been developed already. Quite different—the article concludes—is the position of the export of processed agricultural products, such as tinned goods, which have a good market in Germany. In future, these and agricultural raw materials will make up the greater part of Hungary's export trade.

The war has deprived Hungary of part of her suppliers as well as her customers, although the occupation of Transylvania has provided her with some important raw materials. The increase in prices owing to higher import prices is one of the most critical social problems, because it causes a demand for higher wages. In the last months the lower and middle wages were increased, but so inadequately that they did not even compensate the increased prices of foodstuffs. This higher cost of living, however, is not the result only of higher import prices but also of the small harvest. This year, the area cultivated with winter wheat was 40 per cent smaller than in the previous year owing to the unfavourable weather conditions. In the previous year, the maize harvest was not even sufficient to secure the necessary foodstuffs. The result has been a fall in the number of livestock, and, therefore, there is to-day a shortage of milk and butter, meat and bacon. Ration cards, at first introduced with hesitation, are now increasingly decreed.

Since 1938, the Hungarian economy has been influenced considerably by the Five Year Plan for defence and economic improvement. This plan was effected in half its prescribed time; it not only put a strain on the financial capacity of the country, but it was also necessary to reduce the output of consumption goods in favour of the production of armaments. The investment

of 600 million pengoes, however, was not sufficient to finance the necessary armaments, and in the Budget for 1941 the expenditure of the Ministry of Defence is again by far the largest. The Five Year Plan mobilised a fifth to a quarter of the whole national income. The Government has covered three-quarters of this expenditure by higher taxes and duties. In the last financial year, however, expenditure had to be covered more and more by loans, especially since, after the occupation of Transylvania, there arose new tasks to be solved. The "Transylvania Loan" has been intended to mobilise small savings, but as these are not large enough to cover the considerable sums required, more claims on big capital will certainly be made.

Steady Production in America

[FROM OUR NEW YORK CORRESPONDENT]

March 19th

FOR the past four months production has been running rather evenly at a high level. The same may be said for construction, although in that industry seasonal influences are partially responsible for the apparent recession. Seasonal influences are also visible in the department store series. Employment in manufacturing in January was about 10 per cent above January, 1940. If the increase in manufacturing is typical of employment in general, one would infer that close to five million persons had been added to the employed during the past year. This inference would scarcely be justified; but there can be no doubt that the "reserves" of labour, as they were a year ago, have been considerably drawn down. It is also worth noting that, while factory employment was rising 10 per cent, payrolls were rising about 20 per cent. The following table shows the significance of that figure:—

	Factory Employment	Factory Payrolls
January 1937	105	95
1938	91	75
1939	95	85
1940	105	100
1941	115	120

Since the recession of 1938 there has been a general tendency for payrolls to rise faster than employment. Very likely this reflects the transition from part-time to full-time and over-time.

BUSINESS INDICES
1935-9=100 for industrial production
1923-5=100 for all other series
(Unadjusted for seasonal variation)

	Feb. '40	Dec. '40	Jan. '41	Feb. '41
Industrial production (total) 118	135	133	138	138
Manufactures (total)	114	130	137	142
Durable	121	162	161	168
Nondurable	108	120	117	121
Minerals	112	114	113	115
Construction contracts (total) 54	93	84	77	71
Residential	50	77	70	71
All other	58	106	95	81
Factory employment (total) 105.0	116.2	115.5	—	—
Durable goods	99.2	117.6	118.3	—
Nondurable goods	110.5	114.8	112.7	—
Factory payrolls (total) 99.3	122.4	120.7	—	—
Durable goods	97.8	131.6	131.9	—
Nondurable goods	101.0	112.1	108.0	—
Freight car loadings (total) 68	77	78	79	79
Department store sales	71	179	79	81
Department store stocks	68	66	64	—

One of the more remarkable features of the data is the widening discrepancy between payrolls and such indices of consumer purchases as department store sales. For a long time the index of payrolls and of department store sales ran neck and neck; the recent disparity probably means that the additional income is going into a variety of channels outside the department stores; something that might be called expenditures on amenities or "luxuries" as distinct from necessities.

Refunding in Process

To-day, the Treasury offered \$500 millions 11-13 year 2½ per cent bonds for cash subscription, and provided for the June 15th maturity of an equal amount of 1½ per

cent notes, by exchange for the new bonds or for two-year ½ per cent notes. Both issues are subject to full Federal taxation, while the maturing notes had been fully tax exempt. This is the second substantial offering of taxable securities. On the long-term bonds, the tax feature has this time been equated at about ½ per cent; on the notes, it is more difficult to state as the rate has been lifted and the maturity shortened. Supplementing issues of this type, the weekly offering of Treasury bills has been doubled, \$100 millions refunding the maturing issues and \$100 millions providing fresh money. These bills, formerly fully tax exempt and now fully taxable, continue to go at nominal rates. As has generally been true in recent years, the largest rate fluctuations have occurred in the notes.

Swiss Trade Recovers

[FROM OUR GENEVA CORRESPONDENT]

March 1st

DESPITE all handicaps Swiss foreign trade returns for 1940 were not so bad as was expected. Imports for the year totalled 1,863 million francs, and exports 1,315 millions, thus leaving a low adverse balance of 548 millions. It is the result, on the one hand, of the decrease in imports owing to transport difficulties, and, on the other hand, of the relatively favourable maintenance of exports. Information received concerning activity in industry is not bad at all, and, despite the partial demobilisation of the Army, unemployment has not risen noticeably. Swiss imports are always higher than exports, as the country possesses no raw materials and not enough foodstuffs, and the maintenance of exports is therefore necessary to assure the country's revictualing. The outstanding features of 1940 are that during the last three months exports exceeded imports, and that exports amounted in December to 143 million francs, the highest figure since October, 1938, when they were 134 millions.

Commercial exchanges, which were almost normal until June last, then showed a sharp decline, but they slowly recovered towards the end of the year. This is remarkable in view of the transport difficulties and the disappearance of one of Switzerland's markets, France.

A Swiss Navy?

At the beginning of the war Switzerland chartered a number of neutral ships, mainly Greek, for transporting her goods. These ships were flying the Swiss flag, and, though sometimes detained by the British control, they were nevertheless able regularly to bring their cargoes to the French and Italian ports and ship others there. The situation was changed after the Italian attack against Greece; new ships had to be found, and the question of sea transport reconsidered. The Swiss navy may be a reality in the near future, and no longer a practical joke. The Swiss Federal Government is examining the question of creating a Swiss mercantile marine and of getting the right to fly the Swiss flag on the seas and of getting the right to fly the Swiss flag on the seas recognised. Once the latter point is settled, Switzerland will be in a position to assure—with the untiring good will of Great Britain—the transport of her goods, thus enabling her trade and industry to work and her people to exist.

Balkan Communications

In the article on page 447 of last week's issue of *The Economist*, it was stated that the total Danube fleet of tankers in the summer of 1940 was stated by authoritative Roumanian sources to be 278 tons, with a capacity of 1.6 million barrels. This should have read 278 tankers, with a capacity of 1.6 million barrels.

Books Received

Mining Year Book, 1941. Walter E. Skinner. 20s. net. The 1941 edition of this useful and comprehensive directory contains the customary full statement of capitalisation and past history of mining companies. The supply of diagrammatic matter is well maintained.

The Hapsburg Monarchy, 1815-1918. By A. J. P. Taylor. (London) Macmillan. 316 pages. 15s. net.

The Smithsonian Institution, Annual Report, 1939. (Washington) Government Printing Office. 567 pages. \$1.50.



What kind of music do you like best?
You'll find the best of its kind on —
"HIS MASTER'S VOICE"
Records

KOUSSEVITZKY
and The Boston Symphony Orchestra
Symphony No. 2 in D Major. Op. 36. DB 3919-21
Beethoven. Parts I & DBS 3922
to 7. Album No. 355

CONSTANT LAMBERT
Conducting Symphony Orchestra
Romeo & Juliet—Overture. Tchaikovsky. Parts I to 5. Side 6 — Danse Slave (Chabrier) London Philharmonic Orchestra C3216-18

BOSTON PROMENADE ORCHESTRA
Spanish Dances, Op. 12. Moszkowski. No. 2 in G Minor. B 9158
No. 5 in D Major (Bolero)

CASALS and HORSZOWSKI
Sonata in D Major, Op. 102, No. 2. Beethoven. Parts I to 6. DB 3914-16

JOSEF HASSID
Humoreske, Op. 101, No. 7. Dvorak arr. Kreisler. Hebrew Melody. Arr. Achron. C 3219

NEW LIGHT SYMPHONY ORCHESTRA
"Bitter Sweet" Selection. Two Parts. B 9163

NEW MAYFAIR NOVELTY ORCHESTRA
Love Serenade. Drigo. Song without Words. BD 916

H.M. COLDSTREAM GUARDS BAND
God Save The King. O Canada: The Maple Leaf for Ever. B 9159

REGINALD FOORT
On his Giant Concert Organ
Hungarian Dance No. 1 in G Minor. Brahms. BD 911
Hungarian Dance No. 2 in D Major. Brahms

EDDIE CARROLL
Piano Solo with Drums
Foxtrot Medley. BD914
Quickstep Medley

"HUTCH"
Room Five - Hundred - and - Four
Something to remember you By. BD 913

PAUL ROBESON
and American People's Chorus with Orchestra
Ballad for Americans. Latouche - Robinson. Parts I to 4. B 9160-61

JOHN MCCORMACK
There is a Green Hill - Jesus Christ, The Son of God. DA 1773

BARBARA MULLEN
Mighty Lak' a Rose. Ma curly-headed Baby. B 9162

WEBSTER BOOTH
The Mountains o' Mourne. A Ballynure Ballad. Trottin' to the Fair. B9164

DICK TODD
Cecilia. To you Sweetheart, Aloha. All this and Heaven Too. Where do you keep your Heart? Devil may Care. When the Swallows come Back. BD 912
BD 894
BD 869

JOE LOSS
The best things in Life are Free. Good Morning, Sergeant Major. Down every Street. The first Lullaby. You say the sweetest Things. Johnny Peddler. The last time I saw Paris. The King is still in London. The Mood for Dancing. Scrub me Mama. Five o'clock Whistle. BD 5660
BD 5661
BD 5662
BD 5666
BD 5663

GLENN MILLER
You are my heart's Delight. Hear my song, Violetta. Alice Blue Gown. Wonderful One. Beat me Daddy. Falling Leaves. BD 5664
BD 5654
BD 5651

TOMMY DORSEY
The one I Love. East of the Sun. BD 5665

New Album "MASTERS OF SWING" No. 2
Tony Pastor, Coleman Hawkins, Duke Ellington, Lionel Hampton, Harlan Leonard, Rex Stewart, Frank Newton, Wingie Manone, Charlie Barnet. B 9151-9156
6 records complete in Album No. 354 with descriptive note by Edgar Jackson, 20/- (+ 4/3 tax.)

YOU MUST NOT MISS THE NEW "H.M.V." RECORD REVIEW

Here's a new kind of "monthly" — an invaluable guide to the latest and best in recorded music. Interesting news and gossip about music and artists (with pictures). Full list of all the new "H.M.V." records. In fact, everything you will want to know before choosing your new records. Published every month—1d. Get your copy from your dealer now.

PRICES:
BD 10-in. 2/- (+ 5d. Tax); B 10-in. 3/- (+ 8d. Tax);
DA 10-in. 4/- (+ 10d. Tax); C 12-in. 4/- (+ 10d. Tax);
DB 12-in. 6/- (+ 1/4d. Tax); DBS 12-in. 3/- (+ 8d. Tax).

GREATEST ARTISTS - FINEST RECORDING

THE GRAMOPHONE COMPANY LIMITED, HAYES, MIDDLESEX

German Europe

German Agriculture.—Official German sources estimate the fall in Greater Germany's cereal harvest in 1940 at 10 per cent. The actual harvest in the "Old Reich" might thus amount to 24.7 million metric tons, against 27.4 million tons in 1939. No comparable figures are available for Greater Germany, which now includes the Western Polish provinces, Alsace-Lorraine, Luxembourg, and Eupen-Malmedy. The root crops were, however, good.

ROOT CROPS IN GREATER GERMANY

(In million tons)

	Potatoes	Sugar Beet	Turnips	Mangolds and Swedes
1938	56.4	17.2	7.7	41.7
1939	56.3	13.4	6.8	39.5
1940	58.9	18.4	6.5	40.4
1940*	70.1	21.2	7.3	43.0

* Including the incorporated Polish provinces, called Danzig-West Prussia and Warthgau.

The stocks of cereals laid in before the war should be sufficient for the present bread rations until the new harvest begins; and more favourable weather, a better supply of machinery and labour (i.e., prisoners of war and foreign workers) will probably ensure a better harvest in 1941.

Ten commandments issued to farmers at the beginning of the spring season show the difficulties of the agricultural situation. Any decrease in the acreage under bread grain is forbidden, and the acreage under root crops, oilseeds, and vegetables is again to be extended. The ratio of home-grown feeding-stuffs must be increased. Where there is a shortage of workers, farmers have to form pools for the common use of horses, tractors, and agricultural machinery. The mechanisation programme has been extended, and it is claimed that the number of tractors delivered to farmers has greatly increased.

Since the census of livestock in December, 1939, no new figures have been published. After a temporary reduction in the number of pigs, a further expansion was begun, based on a more intensive collection of kitchen waste and a favourable potato crop. The number of pigs may now have again reached 29 millions, which was the census figure in December, 1939, for Greater Germany.

★

Europe's Contribution.—The incorporation of Western Poland, the conquest of the Western European countries and the subjugation of the four Balkan countries cannot provide any immediate improvement in Germany's agricultural situation—after the very heavy exports of dairy products from Denmark and Holland during the first months of the occupation. In fact, German Europe's agricultural problems, with the exception of Poland, Slovakia, and the four Balkan countries, which are exporting countries, are not different from Germany's domestic problems. Under normal circumstances, that is to say, Continental Europe relied for a third of its fat requirements on overseas resources, mainly oilseeds and marine oils. Net imports of bread grain amounted to 5.5 per cent of total consumption, and the deficiency in feeding grains amounted to 8 per cent. In potatoes, there was 100 per cent self-sufficiency, but net sugar imports may be estimated at 7 per cent of the total consumption.

German wartime agricultural policy, which now extends to all European continental countries, except the remaining neutrals and Greece, aims at 100 per cent self-sufficiency for their requirements under a complete system of rationing. It varies from country to country. In Denmark and Holland, whose meat and dairy exporting industries depend on imported feeding-stuffs, drastic changes are effected by curtailing the livestock population. In Belgium, normally a heavy importer of bread grain, the cultivation of cereals and root crops will be extended. In France, which is nearly self-sufficient in cereals and root crops, but normally dependent on the imports of 50 per cent of fat requirements, a large expansion in the cultivation of oilseeds and olives is laid down. In the annexed Polish provinces, large-scale agriculture is directly being organised by the Germans, aim-

ing at an increase in the yield of cereals per acre of 50 per cent or even 100 per cent. At the same time, these provinces are used for extending the cultivation of oilseeds and industrial crops.

Lastly, there remain the four Balkan countries, Hungary, Roumania, Yugoslavia, and Bulgaria. An important part of Roumania's agriculture was lost to Russia by the cession of Bessarabia and a part of the Bukovina.

Germany's policy is to reorganise agriculture over the entire Continent by concentrating the livestock industries in countries favoured for the production of feeding-stuffs, especially maize, barley, potatoes and sugar beet; that is to say, the countries of Eastern and South Eastern Europe. In Western Europe, a "balanced" agriculture, providing the total requirements of bread grain and the greater part of meat and fats, is envisaged. The immediate plans now being put into operation only attempt wartime self-sufficiency for each country under German rule, and the exportable surpluses of the Balkan countries will be requisitioned for the supply of Germany's deficiencies; these exportable surpluses, in fact, are distributed between Germany and Italy and some neutral countries according to a system of quotas settled at intervals by mixed committees of representatives of the countries and Germany. All this can only be done by imposing on the occupied and dependent countries Germany's peculiar and compulsory system of agricultural organisation.

★

Finance and Banking.—At the end of 1940, the disclosed national debt had increased from Rm. 37,300 millions on August 31, 1939, to Rm. 82,600 millions, or by 122 per cent. Total notes in circulation increased during the same period from Rm. 8,705 millions to Rm. 14,033 millions, or by 61 per cent. Total Reich revenue developed as follows, in 1,000 million Rm.:—

Twelve months April 1, 1938 to March 31, 1939	17.7
Nine months " " 1939 " " 1940	23.6
" " " " 1940 " " Dec. 31, 1940	20.4

For the whole financial year 1940-41 total revenue is estimated at Rm. 26,000 to 27,000 millions, and the financial year ended 1941-42 is estimated to yield Rm. 30,000 millions. The total national income of Greater Germany in 1940 is estimated at some Rm. 110,000 millions against Rm. 88,000 millions in 1938.

★

Banking.—German banks have entered on a new phase of territorial expansion in the incorporated territories of Austria, the Sudetenland, the Protectorate Bohemia-Moravia, the western provinces of Poland and in some of the occupied countries. Some relevant items of leading banks may be taken as representative.

	Berliner Handelsgesellschaft In million Rm.		Commerzbank	
	1939	1940	1939	1940
Total assets or liabilities	339.2	400.2	1,746.0	2,035.0
Bills	52.9	45.1	400.7	442.0
Treasury bills, etc.	85.8	146.0	370.0	809.9
Investments	45.7	50.9	122.3	330.0
Advances	102.2	102.7	652.4	486.0
Deposits and current accounts	268.4	338.0	1,266.0	1,717.0
Acceptances	25.0	13.9	155.0	121.0
Savings deposits	...	...	218.6	307.0

The increase in Treasury bills is part of the development of controlled finance. The influence of the war is shown in the increase in deposits, amounting to 26 per cent in 1940 against 12 per cent in 1939. The peculiar position of the Berliner Handelsgesellschaft, which is a kind of private central bank, prevented an actual decrease of advances; but the fall in acceptances is clearly due to the successive reductions in the interest rate. Of the investments of the Commerzbank 30 per cent in 1940, 83 per cent are Reich loans; they increased by 36.4 per cent in 1940. Deposits increased by 40.4 per cent and savings deposits by 40.4 per cent. The extended activities compelled the bank to increase its capital from Rm. 80 millions to Rm. 100 millions.

THE BUSINESS WORLD

The National Income

THE estimates of the national income contained in this week's White Paper provide information not only in fuller detail but more promptly than has hitherto been available. The main estimate is of the size and components of "net national income" for the two years 1938 and 1940 and also for each quarter of 1940 separately. These totals are shown (in millions of pounds) in the first line of the following table. The other sections of the table show, in percentages, the main constituents of the total of income and the main heads of expenditure:—

	1938		1940			
	Year	Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net national income	4,415	5,586	1,286	1,399	1,450	1,451
Rents	% 8	% 6½	% 7	% 6½	% 6½	% 6½
Profits and interest (before deduction of tax)	27	27	27	27½	27	26½
Salaries	22	20½	20½	20	20½	20½
Wages (including payments to armed forces and shop as- sistants' salaries)	41	44½	43½	44½	44½	45
Other income	2	1½	1½	1½	1½	1½
Consumption	77	64*	66	64	62	63
Expenditure of cen- tral and local government.....	19	53*	42	45	59	67
Net investment or disinvestment.....	4	-17*	-8	-9	-21	-30

* No figure given in White Paper; figure printed is average of four quarters.

These figures provide material for a whole series of studies in economic morphology; but for the moment two comments must suffice. The first is to point out the rapid increase in the share of wages in the national income under war conditions. The second is to underline the very large dimensions to which the disinvestment of capital can grow for short periods. The heavy figure shown for this item in the last two quarters, which permitted the total of private consumption and Government spending to rise to 130 per cent of the net national income, was presumably a reflection of the very rapid employment of the dollar reserves. In the nature of things, it could not continue for long; it is the exception that proves the rule that a belligerent must pay for war almost entirely out of income.

The comment on the figures which is likely to strike the layman most strongly is, however, the comparative smallness of the net national income. In the final quarter of 1940, it is given at the annual rate of £5,804 millions. But in that quarter the total of Government expenditure was at the annual rate of £4,261 millions; and though it must be remembered that part of that total was met out of the disinvestment of capital, it must also be remembered, on the other side, that the figure includes only the net result, not the gross operations of the Ministries of Food and Supply. Is it conceivable that the Government is already spending so high a proportion of the national income? And how are figures of the national income such as those given in the above table to be reconciled with the very much larger figures that have been current in public discussion?

The explanation lies in a confusion of definitions.

"National income" is a technical term of which the statisticians have never made as precise definitions as they should, and the figures contained in the White Paper enable the matter to be cleared up for the first time. Let us first set out all the ingredients that might enter into the national income under any of the possible definitions:—

	1938 (£ millions)	1940 (£ millions)
1. Net national income (as above)	4,415	5,586
2. Transfer incomes (i.e. incomes given without any current return, e.g., National Debt interest, old-age pensions, etc.)	490	494
3. Direct tax liabilities of individuals and net incomes of institutions	757	1,169
4. Depreciation allowances	400	400*
5. Indirect taxes and rates	643	868
6. Disinvestment of capital (in excess of depreciation allowances)	—	549

* No figure given in White Paper; assumed the same as in 1938.

It is possible to distinguish no less than six separate definitions of the national income, with two variants of some of them.

The first is the net national income as estimated in the White Paper. This is the value of the national output of goods and services, over and above those required to maintain and replace the national capital. There are two methods of valuation: the first at *factor cost* (that is, at what it costs to produce this output), the second at *market prices* (that is, at cost plus the indirect taxes and rates that have to be added in before the output can be sold). The first definition can thus be recorded as follows:—

	1938	1940
1a. Net national income at factor cost (Item 1 in above table) ..	4,415	5,586
1b. Net national income at market prices (Items 1+5) ..	5,058	6,454

Secondly, there is gross national income, which is the net figure with the addition of the depreciation allowances. The justification for using this definition, in some contexts, is that the goods and services used for main-

PROVISION FOR DEPENDANTS

There is no better way of providing for those dependent upon you than by effecting a Whole Life Assurance under *The Distinctive System* of this Institution, which combines Low Premiums with the right to share in the Surplus.

The Premiums may be paid throughout life or limited to a specified number, thus relieving the Assured in the later years when, owing to retirement, income may be reduced.

● Write for *The Distinctive System* booklet

The Scottish Provident Institution
HEAD OFFICE 6 St. Andrew Square, EDINBURGH
FUNDS EXCEED £25,000,000
Founded for Mutual Life Assurance in 1837

taining capital are currently produced and are available, at a pinch, to meet current expenditure:—

2a. Gross national income at factor cost (Items 1+4) ...	4,815	5,986
2b. Gross national income at market prices (Items 1+4+5) ...	5,458	6,854

Incomes that are enjoyed without any current return to the community, such as National Debt interest and old-age pensions, are not properly included in the national income. But they are subject to taxation and must therefore be added in if the figure required is the corpus of incomes on which the Government can levy:—

3. Net individual incomes (Items 1+2) ...	4,905	6,080
---	-------	-------

Still another figure is the total of net individual incomes *plus* depreciation. This is the *apparent* total of current output ("apparent" because it includes the double counting of the transfer incomes; "output" rather than "income" because it includes the current production needed to maintain capital). This figure is useful as a measure of the corpus of incomes on which the Government can levy if the maintenance of capital is neglected.

4. Gross individual incomes (Items 1+2+4) ...	5,305	6,480
---	-------	-------

For other purposes it may be desirable to know the sums of money that persons, as distinct from corporate bodies, have available to spend. To arrive at this figure, their direct tax liabilities and the net incomes of institutions (i.e., in the main, the undistributed profits of companies) must be deducted:—

5. Personal spendable incomes (Items 1+2-3) ...	4,148*	4,911*
---	--------	--------

The last variant is hardly "income" at all, but it is nevertheless a magnitude that is of particular relevance to the problems of war finance. It has already been pointed out in discussing gross national income that the goods and services which, in a normal year, are set aside for the maintenance of existing capital can be used for current needs in emergency. But this is not all; not only is it possible to postpone the replacement of capital, it is possible actually to draw on existing capital. This can be done by mobilising foreign assets, by using

* Footnote.—The White Paper gives estimates of the manner in which these sums were spent:—

	1938	1940
Food, drink and tobacco	1,648	1,973
Rent, rates, fuel and light, household goods and domestic service	959	991
Clothing and laundry	469	512
Private motor-vehicles	118	50
Other travel	169	164
Other goods and services	634	613
Gross personal savings	151	608
Total	4,148	4,911

Finance and Banking

Abundant Money

Abundance of funds has now returned to the money market. The early April dividends have trickled back to the general credit circulation, the transfers of tax moneys has, as usual, eased with the passing of the financial year, while on the other hand a heavy flood of Government expenditure continues to feed the supplies of credit. This week these supplies are being drawn upon to the extent of £20 millions by the excess of Treasury deposit payments over maturities, while a further £5 millions is being withdrawn by the similar excess of Treasury bill payments. But the underlying volume of bank cash is more than adequate to meet these calls, and the banks have again become insistent buyers of bills from the market. This return to abundance has had to overcome the continued drain on bank cash caused by the steady repayment of Bank of England accommodation to the India Council originally made in connection with the repatriation of India Government sterling loans. The operation for effecting this repayment evidently involved considerable open market purchases of bills for account of the India Council, the maturities chosen being those most nearly approximating to March 24th, the day on which the repayment had to be effected. It was, of course, found impossible to obtain the required

up the normal stocks of the country or by actually consuming fixed capital as when park railings are melted down to make shells. This last set of figures is, in short, a measure of the sum total of goods and services, whether of an income or of a capital nature, that the community can use to keep itself alive and to prosecute the war. (Since the chief use of this figure is to compare it with the figure of resources mobilised by the Government, and since the latter includes the yield of taxation on transfer incomes, it is convenient to include these also in the larger total, although this involves some sacrifice of logic):—

5a. Gross available resources at factor cost (Items 1+2+4+6) ...	5,305	7,029
5b. Gross available resources at market prices (Items 1+2+4+5+6) ...	5,948	7,897

There should be sufficient variety here to satisfy the most exacting. Discussion on the whole subject of national finance would be immensely clarified if it were always specified exactly which definition of the national income was being used. *The Economist* has sinned, with others, in this respect. The figures of national income that have been used in these columns since the beginning of the war have been based, rather roughly, on Mr Colin Clark's definition of gross national income, which is definition 2b above. The figure of £5,458 millions for 1938 derivable from the White Paper compares with the round figure of £6,000 millions at the outbreak of war (i.e. the annual rate prevailing in August, 1939) often used in these columns. Since the physical volume of output in the summer of 1939 appears to have been some 7 per cent higher than the average of 1938 and there was probably some increase in the level of prices and profits, it will be seen that correspondence is close.

It is questionable, however, whether gross national income is the correct figure to take when it is desired to show the activities of the Government as a proportion of some larger aggregate. This is particularly true when the total of Government expenditure includes foreign purchases financed out of foreign capital, since there is no corresponding item in gross national income. The correct comparison, it would seem, would be with either 5a or 5b—that is, with the total volume of goods and services of all kinds, income and capital, available for use. If this be accepted (and the larger of the two variants used), then it would appear that the total expenditure of the Government in 1940 absorbed about 42 per cent of the resources available, while only about one-sixth of those resources was transferred from the public to the Government by means of taxation.

amount of bills maturing on that very day, and when the moment for repayment arrived the India Council rediscounted at the Bank of England the whole of the bills in question which had not fallen due. Hence the jump of £39 millions in discounts and advances shown by the return covering the week to March 26th. As these bills mature, this item in the Bank return is gradually returning to its normal proportions.

Record Applications for Bills

The first tender for the £70 millions weekly offering of Treasury bills drew a record total of applications, despite the fact that the bills in question were the comparatively unattractive early July maturities. The total applied for was £164,680,000, an increase of about £16 millions on the previous week's figure and of over £4 millions on the previous record set up on February 28th last. The further increase in the applications for Treasury bills came as a surprise, coinciding as it did with the repayment of India sterling stocks, which is estimated to have absorbed about £55 millions of India Council money previously employed in the money and discount markets. It must not, however, be forgotten that the growth of Empire and other sterling area funds

in London is a movement which is acquiring steadily increasing momentum, despite the abrupt interruption in the progression caused by a repatriation operation such as that just completed by the Government of India. An increasingly important factor in this particular movement is being provided by Canada. The balance of payments of the sterling area as a whole with that Dominion remains severely adverse, and the recent evidence given on this point by the Canadian Minister of Finance strongly suggests that the Canadian Exchange Fund is already accumulating substantial sterling balances, only part of which will later be absorbed by further repatriations of Canadian securities held in this country.

Apart from this added demand for bills from Empire sources, the mere increase in the amount of bills on offer has involved a corresponding increase in the applications for bills made from the discount market. The syndicate's quota is now automatically adjusted to the amount of bills on offer, and this fact, therefore, accounts for £5 millions of the increased applications. This must be borne in mind when viewing the result of the tender from the syndicate's point of view. The percentage allotted at the syndicate's price of £99 14s. 11d. was 26 per cent, against 28 per cent in the previous week. For the market, therefore, the result of the tenders in each of these weeks was the same, since 28 per cent of £65 millions and 26 per cent of £70 millions both equal £18,200,000.

Clearing Banks' March Statements

Gap or no gap, the expansion in bank credit made further appreciable headway last month. The clearing bank statements for that month reveal an expansion of £55,491,000 in deposits, of which only £3,359,000 can be attributed to the duplicating effect of increased items in course of collection. The main stimulus to the expansion of bank credit was again provided by Treasury deposits, which rose £44,500,000 last month. All other asset items, other than bills discounted, show some increase. The fall of £15,704,000 in bills is a normal seasonal movement

	Nov., 1940	Dec., 1940	Mar., 1940	Jan., 1941	Feb., 1941	Mar., 1941
Capital and reserves	139.7	140.2	139.3	140.2	140.2	140.1
Acceptances, etc.	114.8	108.2	110.2	105.6	101.1	100.5
Notes in circulation	1.4	1.4	1.4	1.4	1.4	1.4
Current, deposit and other accounts	2,701.8	2,800.0	2,363.3	2,756.5	2,708.8	2,704.3
Total liabilities	2,957.7	3,049.8	2,623.2	3,003.7	2,951.5	3,006.3
Cash	284.9	324.4	248.6	279.1	283.6	287.9
Cheques, balances, & items in transit	108.0	134.8	92.5	111.8	117.3	120.6
Money at call	140.3	158.5	141.5	130.0	127.9	131.8
Discounts	338.7	264.9	335.7	269.2	209.9	194.2
Treasury deposit receipts	236.0	313.5	611.2	340.5	329.5	374.0
Investments	742.8	771.5	1,006.2	739.2	814.4	821.0
Loans and advances	923.4	906.0		909.5	899.6	908.1
Investments in affiliated banks	23.6	23.7	23.5	23.7	23.8	23.7
Cover for acceptances, premises, &c.	160.0	152.5	164.0	150.1	145.5	145.0
Total assets	2,957.7	3,049.8	2,623.2	3,003.7	2,951.5	3,006.4

attributable in this case, not to the smaller amount of Treasury bills issued through the tender, but to the smaller allotments obtained by the discount market. The banks' investments show a further increase of £6,588,000—no doubt the product of participation by branches in War Weapons Weeks. Advances reverse their recent trend with a recovery of £8,543,000, of which part may be attributed to the customary accommodation granted for payment of taxes. The cash basis has been so controlled as to keep step with the further growth in bank credit, and at £287,842,000, showing an increase of £4,270,000 on the month, remains at about 10.4 per cent of deposits.

Cargo Insurance Rates

Last week's announcement of an increase in the war surcharges on marine cargo premiums has caused no surprise, for it was known that underwriters have not been faring well on their 1940 accounts. The history of cargo insurance in recent years shows that even before the outbreak of war the market was in a none too

healthy condition, largely because the lower level of international trade had created an excess of supply in relation to demand and consequent downward pressure on rates, with extended covers. A factor operating against the correction of this state of affairs was that during and after the Italo-Abyssinian war of 1935 the practice developed of insuring war risks, the premiums for which sweetened the cargo account as a whole, making underwriters more content to continue an unsatisfactory market situation than would otherwise have been the case. With the advent of war, this source of revenue disappeared, the bulk of the war risk business being taken over by the Government Office. At the same time underwriters found themselves faced with a substantial increase in the hazards covered by the standard policy; these hazards scarcely need recapitulation, for the perils of voyaging in convoy without lights, on unfamiliar routes and without the customary aids to navigation, speak for themselves. The only mitigating factor has been the more ready acceptance by consignees of goods arriving in damaged condition. To meet the additional risk, war surcharges were imposed in January, 1940, on all shipments within the combat area; after a few months the surcharges proved inadequate and were in consequence doubled last September. The present increases take effect on May 5th and represent in effect a redoubling of surcharges: for shipments to and from the United Kingdom and Eire and the Continent of Europe between North Russia and Gibraltar inclusive, together with Iceland, the surcharge will be 10s. per cent, rather lower rates operating for less hazardous voyages. These higher charges must be accepted with good grace by the interests concerned, since their justification is undisputed; it is, moreover, very important that the British marine market shall maintain its strong financial position, so that it may continue to furnish to merchants and ship-owners those facilities for which it is internationally famous.

Sterling Area Extended

An Order made last week under the Defence (Finance) Regulations admits to the sterling area the territories under the control of the Council of Defence of the French Empire, Iceland and the Faroe Islands. As it applies to the territories of the Free French Empire, the Order formalises the temporary arrangements made previously by which the local administrations of these territories were given financial assistance and the

Legal & General Life Policies

both participating and non-participating will in most cases

include War Risks within the United Kingdom

in respect of lives who are civilians at the time of completing the proposal

The Society is also prepared to consider War Risks abroad, each proposal being considered on its merits. Life Assurance is more necessary to-day than ever before—ask for full particulars now.

LEGAL & GENERAL ASSURANCE SOCIETY LIMITED

Chief Administration:
ALDWYCH HOUSE, ALDWYCH, LONDON, W.C.2

Branches in all principal Towns

Established 1836

General Manager: Vernon E. Boys Assets exceed £50,000,000

rate of exchange between their currency and sterling was fixed at 176½ francs to the £. It has inevitably taken time for the currency situation in these territories to emerge from the confusion in which they were plunged, first by the collapse of France, then by their adherence to the Free French authorities. The latest move shows that the authorities in question are well satisfied with the arrangements which have been made by Britain for supplying their immediate financial needs and that Britain for her part, is satisfied with the commercial and political security which they offer. The inclusion

of the territories in the sterling area automatically extends to them the general scheme of exchange control which operates in this country, and residents in those territories assume the appropriate rights and duties. The currency circulating in the Free French colonies will remain the West African franc, but it is evident that means must be devised for protecting it from the contagion of the Vichy and Paris francs. That will, no doubt, be achieved by some form of stamping of notes which will differentiate the Free French colonial currency from other franc notes.

INSURANCE NOTES

Pearl Assurance.—The figures in the first table have been extracted from the life revenue accounts of this important office. The accounts make a good showing, considering the difficult circumstances of the past year. The recession in new business in the ordinary branch was moderate, compared with the average for all offices, and in the industrial branch was quite small. Loss of premium income in the ordinary branch was amply made good by expansion in the industrial figures. Interest earnings displayed a downward tendency in keeping with the general trend, for the familiar reasons of larger investments in British Government securities and higher income tax. Death claims were affected by the war to the extent of over £50,000 in the ordinary branch and £100,000 in the industrial branch; the figures for the latter branch were also augmented by a minor influenza epidemic in the early months of 1940. Commission and expenses are up by reason inter alia of decentralisation, allowances to members of the staff in the forces and an improved basis of remuneration for the collecting staff.

In the second table are set forth the premium income and underwriting results of the various branches. The profits shown for the life branches are the surpluses earned during the year and are down for the reasons already cited; special reserves for war conditions aggregating £675,000, which were a charge on the 1939 surpluses, have been retained. Profits for the other branches are the actual profits and do not correspond with the transfers to and from the profit and loss account. Fire business is largely influenced by the United States portfolio,

the increase in premiums being mainly due to appreciation of the dollar in terms of sterling; the true loss of £83,885 is increased to £204,314 by a sum of £120,429 required to strengthen the unearned premium reserve from a 40 per cent to a 50 per cent basis. It is pleasing to learn that the fire business lost on the Continent of Europe has in some measure been made good by taking advantage of opportunities of securing business formerly held by German and Italian companies in other parts of the world. Among the other classes the heavy fall in premiums for the general branch, which includes "a great variety of risks in many parts of the world," is a result of the war; the underwriting balance represents a considerable improvement on 1939. Also noteworthy is the improvement in the motor vehicle account which has accompanied the substantial reduction in premium income following the general laying up of cars.

To the underwriting profits exhibited in the table must be added interest earnings on the "other branches" of £65,121, making total earnings for the year £2,038,782. Of this figure £250,000 is absorbed by transfers to staff pensions account and £50,000 by a reserve for national defence contribution. In common with the majority of offices the Pearl is following the prudent course of declaring no reversionary bonuses this year, but interim bonuses are being allowed at reduced rates in both the ordinary and industrial branches. These bonuses require only £82,144 (£24,975 for the ordinary branch and £57,169 for the industrial branch) so that the company is able to pay on the ordinary shares a dividend for

the year of 9s. per share, free of tax, compared with 10s. per share, free of tax, for the previous year, absorbing with the preference dividend £558,000, and at the same time greatly to strengthen the life funds by increasing the sums carried forward by £827,290 in the ordinary branch, and by £433,618 in the industrial branch.

The balance-sheet is a strong one. Stock Exchange securities stand at cost or under, and the chairman (Sir George Tilley) stated that the market value exceeds the balance-sheet prices, with the result that the investment reserve funds are retained. These reserves aggregate £6,450,000. Total assets amount to £114,719,000, an increase of £3,708,000.

The Pearl continues through the National Amalgamated Approved Society to play an important part in the administration of national health insurance. During the year membership increased and over 1,200,000 sickness and disablement benefits were paid as well as 38,000 maternity claims.

National Provident : Scottish Amicable : Scottish Equitable.—A table on the usual lines, giving extracts from the life revenue accounts of these three mutual offices, accompanies these notes.

The accounts of the *National Provident* reveal features which are in line with other comparable offices; the rather heavy fall in new business, with some reaction on premium income, and the further drop in interest earnings, are all part of the common story. Death claims include some £60,000 in respect of war deaths. Expenses show a reduction chiefly attributable to reduced new business. In the balance-sheet British Government securities are higher by £533,000. The contingency reserve for investments of £200,000 established last year has been retained, and the chairman (Mr. Robert E. Dickinson) informed the shareholders that the institution has already lost properties worth more than £50,000. Stock Exchange securities generally have been taken at or under the market selling prices on December 31st, 1939, the date of the last distribution of profits, or at or under cost price in the case of securities purchased since that date; the chairman in his speech gave an assurance that these securities are fully worth the value at which they stand in the books. The last triennial valuation at December 31st, 1939, disclosed a surplus of £896,000, after providing for the valuation of life assurance contracts on a 2½ per cent basis; no reversionary bonus was, however, declared, the undivided surplus being carried forward as a reserve against future contingencies. Interim bonuses are being maintained at the same rates as were announced last year, namely approximately two-thirds of the pre-war rate in respect of premiums for the triennium ending December 31st, 1939, and approximately one-half the pre-war rates for subsequent premiums.

The figures published by the *Scottish Amicable* likewise show movements common to similar offices, apart from the increase in premium income, which is due to the completion of several large group assurance and staff pension schemes.

Investment

The Budget in the Market

The effects of the Budget on the stock market have, so far, been slight, being restricted to a general raising of quotations which reflects relief, rather than adjustment of values to the prospective changes in taxation, except in such securities as tobacco and brewery shares. The result bears out the contention, advanced in *The Economist* of March 15th, that, apart from a possible adjustment of EPT, there would be little in the Chancellor's new proposals to affect share values directly. Any scheme of finance must, of course, have indirect effects, and certain features of the financial policy may have important repercussions. In the first place, while the method adopted is excellent, the extent of the demand made on the taxpayer seems to leave the way open for a considerable inflationary rise in prices. The fact that the method of keeping down prices of foodstuffs by subsidy is to be extended to other necessities, will merely

tend to accentuate the impact of the surplus demand on those prices not controlled, unless the public, in general, chooses the wiser part of going without rather than paying prices which are, by any normal standard, likely to be exaggerated. It is true that the extension of price fixing has for one of its aims the stabilisation of wages and that there will be some reduction in net individual incomes if this policy succeeds. Against this, there are, however, two facts to be set, namely, the prospective cut of perhaps 25 per cent in consumption output and the projected transfer of large numbers of people from idleness, or part-time employment, to full-time work, less the effect of transfers from factories to the forces, which should result in some increase in the total national wage bill. This combination contains the possibility of very considerable profits for a certain small section of industry, providing luxuries and quasi-luxuries, as well as necessities which are not covered by price control.

(Continued from page 492)

There is also a substantial addition to annuity considerations. Claims by death include £45,505 directly attributable to the war. The quinquennial investigation into the affairs of the society was made at December 31st last. A stringent valuation of the assets disclosed a depreciation of rather less than 3½ per cent.; this has been provided for by utilising the general reserve of £200,000 and £246,639 from revenue, so that the directors are in a position to certify that Stock Exchange securities have been taken at or under middle prices on December 31st, 1940, and that the assets are in the aggregate fully of the value stated. Liabilities have been valued on the same bases as were employed at December 31st, 1939, with interest at 2½ per cent. for life assurance contracts and 3 per cent. for annuities, the result being a surplus of £1,062,783. The prudent course has been adopted of declaring no reversionary bonuses. £250,000 will be placed to general reserve and £65,000 is being utilised for the payment of interim bonuses on policies which became claims between October 10th, 1939, and December 31st, 1940, and which have not so far received bonuses for the past quinquennium. The balance

of £747,783 is being carried forward as a provision against future contingencies, leaving the society in a strong position. Interim bonuses will be paid on policies becoming claims during the quinquennium commencing January 1, 1941, at the pre-war rate of 40s. per cent. per annum compound, but only in respect of premiums for the period between January 1, 1936, and October 9, 1939, inclusive.

A noteworthy feature of the accounts of the *Scottish Equitable* is the reduction in death claims, notwithstanding the inclusion of war claims totalling £22,550. In the balance-sheet British Government securities are higher by £451,000. Stock Exchange securities are taken (a) for investments made before the actuarial investigation of 1937, at or below the sums fixed at that time; and (b) for subsequent investments, at or below the purchase price. The chairman (Mr. Alfred A. Lawrie) stated that on December 31st there was a material hidden reserve in the difference between the balance-sheet figures and the market values of securities; there is also the reserve account of £250,000 and the carry forward from the last valuation of £173,093, as well as the year to year profits of the past three years, which are satisfactory.

Britannic Assurance.—This company's accounts are influenced by features similar to those operating with other industrial-cum-ordinary offices, as the extracts from the life accounts reproduced in the table make clear. New business in the ordinary branch manifests a less-than-average reduction, and the falling away in the industrial branch is in line with the figures of the *Prudential* and *Pearl*. Premium income is substantially maintained. The chairman (Mr. Jno. A. Jefferson) made some detailed references in his speech to the lower interest earnings; he indicated that the company is strongly supporting the War Savings movement, but that this brings certain difficulties, as the funds of the Company are derived mainly from premiums on long term contracts based on the earning of a rate of interest of 3½ per cent net; Mr. Jefferson added: "One does not need to possess the mind of a professor of economics to see that there must be a limit to the proportion of its funds which an assurance company can afford to have invested at 2½ per cent gross." Death claims include claims arising directly from the war, amounting to £32,000 in the ordinary branch and £38,165 in the industrial branch. The expense drop in the ordinary branch is entirely a result of the recession in new business.

The company has considered it wise to strengthen the valuation bases for both ordinary without-profit and industrial policies, the rate of interest now assumed being 2½ per cent in both cases, against 2½ per cent and 3 per cent respectively a year ago. The surpluses earned during the year were in the ordinary branch £215,530 (£192,205) and in the industrial branch £568,863 (£212,756); adding to these the profits of £1,000 in the capital redemption account and £9,390 in the general account (the business of which is wholly reinsured) the total sum available is £794,783. Of this £266,000 is absorbed as follows: Investment reserve £150,000, staff pension fund £100,000, and provision for national defence contribution £16,000. The *Britannic* has decided to maintain a reversionary bonus for ordinary branch policyholders (the rates being about half those ruling before the war), and the existing bonus scheme for industrial policyholders is continued unchanged; the cost of these bonuses is £363,059. Dividends on the ordinary shares are at the rate of 8s. per share, free of tax, against 9s. per share, free of tax, and including the dividends on the preference shares, absorb the sum of £177,775.

Stock Exchange securities stand in the balance-sheet at or below cost, and it is certified that the assets are in the aggregate fully of the value stated. The investment reserve funds amounting to £2,250,000 remain intact. Total assets increased from £34,194,000 to £35,765,000.

PEARL ASSURANCE

	Ordinary Branch	Rise or Fall	Industrial Branch	Rise or Fall
New business—net sums assured	£ 5,785,761	— 875,282 (13.1%)	£ 17,801,476	— 1,140,070 (6.0%)
Income				
Net premiums	5,050,321	— 97,576 (1.9%)	9,520,998	+ 177,713 (1.9%)
Net interest	1,583,758	— 86,300 (5.4%)	1,892,237	— 135,721 (7.2%)
Claims by death	957,859	+ 196,836 (20.5%)	3,543,513	+ 418,785 (11.8%)
Claims by maturity	3,353,332	— 319,291 (9.5%)	1,402,627	— 154,491 (11.0%)
Surrenders, including surrenders of bonus	656,198	— 62,411 (9.5%)	1,83,190	— 92,774 (5.1%)
Commission and expenses	555,749	— 9,350 (1.7%)	2,695,732	+ 112,002 (4.2%)
Do. Ratio to premiums	11.0%	...	28.3%	+ 0.6%

Consideration for annuities granted were £92,006 (£20,149) and annuities paid £103,883 (£4,309).

PEARL—PREMIUMS AND UNDERWRITING PROFITS

	Premiums	Rise or Fall	Underwriting Profits	Rise or Fall
Ordinary branch—life and annuities	£ 5,050,321	— 97,576	£ 902,349	— 151,192
Industrial branch—life	9,520,998	+ 177,713	1,233,629	— 387,131
Fire	1,204,293	+ 145,880	— 120,429	— 75,629
Accident	81,185	— 4,037	— 83,885	— 5,110
Employers' liability in U.K.	30,265	— 1,068	6,616	— 393
General	141,778	— 98,431	— 6,433	+ 23,540
Motor vehicle	195,451	— 43,191	17,078	+ 26,828
Capital redemption	40,175	— 4,743	...	...
Total	1,693,147	— 5,520	— 162,308	— 30,764
Grand total—all branches	16,264,466	+ 74,817	1,973,661	— 569,087

* Financing charge: unearned premium reserve converted from 40% to 50% basis.
Note.—In calculating the underwriting profits for "other branches," additional reserves have been left out of account; except in the case of capital redemption business, the underwriting profits for "other branches" do not include interest on departmental funds.

BRITANNIC—EXTRACTS FROM LIFE REVENUE ACCOUNTS

	National Provident	Rise or Fall	Scottish Amicable	Rise or Fall	Scottish Equitable	Rise or Fall
New business—net sums assured	£704,551	— 847,653 (54.6%)	£928,422	— 757,357 (44.9%)	£449,341	— 278,355 (33.5%)
Income						
Net premiums	£873,921	— 54,930 (5.9%)	£948,630	— 110,442 (13.2%)	£733,623	— 80,958 (7.7%)
Net interest	£451,859	— 22,504 (5.0%)	£462,900	— 10,417 (2.3%)	£385,833	— 23,518 (6.1%)
do. rate earned	£3 11 5%	— 20 3 7%	£3 10 7%	— 20 2 6%	£3 6 11%	— 20 4 4%
Claims by death	£429,739	+ 531,643 (24.5%)	£425,501	+ 294,286 (69.2%)	£354,223	— 234,097 (66.3%)
Claims by maturity	£581,475	— 115,858 (20.0%)	£475,397	+ 332,804 (69.8%)	£477,700	+ 197,256 (41.3%)
Surrenders, incl. surrenders of bonus	£102,175	+ 234,658 (230.0%)	£121,818	+ 119,800 (98.3%)	£88,006	+ 115,560 (131.3%)
Commission and expenses	£112,168	— 111,579 (9.9%)	£123,573	— 44,283 (35.8%)	£86,975	— 21,379 (24.6%)
do. Ratio to premiums	12.2%	— 0.8%	13.0%	— 2.2%	11.9%	— 1.7%
Consideration for annuities	£112,004	— 181	£251,883	+ 229,536 (91.1%)	£52,126	— 37,124 (71.2%)
Annuities paid	£56,126	+ 14,192 (25.3%)	£45,391	+ 29,488 (64.8%)	£42,405	— 2748

* Excluding special expenses of recent valuation.

† Plus £5,400 for A.R.P. expenditure and sums reserved for other expenses arising from war legislation.

BRITANNIC—LIFE ACCOUNTS

	Ordinary Branch	Rise or Fall	Industrial Branch	Rise or Fall
New business—net sums assured	£ 2,099,008	— 475,340 (22.7%)	£ 8,187,426	— 240,284 (2.9%)
Income				
Net premiums	1,422,654	— 17,954 (1.3%)	4,105,725	+ 14,159 (0.3%)
Net interest	440,112	— 11,420 (2.6%)	712,650	+ 4,075 (0.6%)
do. rate earned	£3 11 3d. 2%	— 20 4 1d. 2%	£3 19 8d. 1%	— 20 4 0d. 4%
Claims by death	287,557	+ 71,043 (24.7%)	1,411,755	+ 101,075 (7.2%)
Claims by maturity	925,023	+ 247,464 (26.7%)	617,149	+ 163,966 (26.6%)
Surrenders, including surrenders of bonus	112,035	— 24,189 (21.6%)	75,049	— 32,530 (43.3%)
Commission and expenses	153,174	— 14,866 (9.7%)	1,222,121	+ 16,501 (1.3%)
Do. Ratio to premiums	10.8%	— 0.9%	29.8%	+ 0.3%

EPT Amendments

There is a tendency in some sections of the stock market to regard the amendments proposed in the administration of excess profits tax as of little real importance. They exceed the minimum requirements, put forward in *The Economist*, on more than one occasion between last October and the eve of the Budget, and we adhere to the view that a flat rate cut of 20 per cent, to be used after the war for reconstruction, meets all the fundamental objections of the tax as it was prior to last Monday. Special concessions may also be needed, and that on borrowed capital removes an anomaly, while the refund to mining companies is almost certainly expedient. That after these concessions the incidence of the tax remains inequitable is certainly true, but no individual or institution can claim perfect justice under war conditions. The fact that anomalies persist in no way detracts from the value of the changes, and few developments could be more consoling to shareholders than the assurance that they will have available a substantial nest egg for "the replacement of obsolete or unsatisfactory machinery . . . ; the scrapping or adaptation . . . of redundant installations; the extension of the export market"; to quote Sir Kingsley Wood's statement. To argue that the post-war refund does not ease the present position may not even be true; but to suggest, on that account, that it is of little value is to deny all merit to the practice of accumulating reserves. There appears to be some fear that such restrictions will be placed on the use of the funds reserved that their utility will be greatly reduced. Not only is there no evidence of any such intention in the Chancellor's statement, but to impose such restrictions would defeat his object. The measure substantially improves the status of the equity of all those concerns making considerable contributions under the tax. In some cases, this change should be reflected in higher prices, but it is not improbable that an adjustment, which had so much to recommend it from every point of view, has already been, to some extent, discounted.

Balkan Bonds

It can come as no surprise to the investing public that the Roumanian Government has announced its intention to suspend foreign debt service. Since the German occupation of Roumania this spring, and the complete subjection of her national economy to German requirements, the Roumanian Government has lacked both the foreign exchange and the political independence necessary to the transfer. The total outstanding of the three leading Roumanian issues quoted in London, the 4½ per cent Loan of 1913, the 4 per cent External Loan of 1922 and the 4 per cent Consolidation Loan of 1922, amounts to some £14,700,000, of which more than £12,000,000 is accounted for by the issue last named. In the year ending March 31, 1941, the Roumanian Government undertook to transfer 45 per cent of the interest due on the 4½ per cent bonds of 1913 and on the 4 per cent Consolidation Loan, 1922, and 60 per cent on the 4 per cent External Loan of 1922. In fact, no transfer was made and the present default is purely formal, since these issues have received no interest since end, 1939. The announcement has been discounted by the market for some weeks past, the 4½ per cent Loan of 1913 and the 4 per cent Consolidation Loan, 1922, both standing at 2½, and the 4 per cent External Loan, 1922, at 4. With the Bulgarian and Hungarian Governments already in default, and diplomatic relations broken off, the present outlook for the investor in Balkan securities is unpromising. The Greek Government is continuing payment at 43 per cent of interest due, and this, in view of the considerable stake in Greece still owned by British investors, is a factor of some importance. Of the two issues having the widest market in this country, the 7 per cent Refugee Loan, 1924, and the 6 per cent Stabilisation and Refugee Sterling Bonds, 1928, there is outstanding £9,356,000 and £3,970,680 respectively. The market price of the former loan is 20½, that of the latter 17½. The outcome of the present Balkan campaign is, of course, of vital significance for the future of debt payments in all the countries of south-eastern Europe, but it is to be feared that the spread of the war to this area, however favourable the outcome, will greatly increase the difficulty of obtaining foreign exchange, and, for the investor, economic ability to pay is scarcely less vital than political independence.

Company Notes

Cement Results

The full accounts of *Associated Portland Cement*, and the two leading undertakings controlled by it, *British Portland Cement* and *Alpha Cement*, all show reductions in profits after tax for the calendar year 1940. The accounts of the first two companies are analysed in detail in the following table. The total profits of *Alpha Cement*, after tax, declined only from £324,659 to £315,683, and there is every reason to suppose that gross revenue in all cases exceeded that of the previous year. All companies have maintained depreciation provisions at the 1939 level, and, since there has been no significant reduction in charges against profits, it has proved necessary to lower ordinary dividends, except that of *Alpha Cement*, which remains at 8½ per cent. In the case of *Associated Portland*, the fall from 15 to 10 per cent is due in part to the cut of the *British Portland* payment from 20 to 17½ per cent. All dividends were narrowly covered by available earnings.

	Assoc. Portland Cement		British Portland Cement	
	1939	1940	1939	1940
Profits*	£ 1,402,925	£ 1,200,548	£ 823,006	£ 734,816
Fees	3,294	3,250	2,070	2,055
Depreciation	417,150	417,150	260,000	260,000
Deb. interest	150,324	147,298	7,747	7,241
Deb. sinking funds	90,176	93,202	11,493	11,980
Preference dividend	137,500	137,500	100,800	100,800
Ordinary shares:—				
<i>Earnings</i>	604,481	402,148	440,587	351,841
<i>Dividend</i>	600,000	400,000	400,000	350,000
<i>Unpaid %</i>	15	10	20	17½
Reserve	213,180	215,328	40,000	222,400
Carry forward			220,569	

* Including interest and dividends declared to 3rd April.

The balance-sheet of *Associated Portland* shows an important rise in stocks from £574,551 to £815,143. Cash resources declined from £666,767 to £359,230 after the loan of £150,000 free of interest to the Treasury. Debtors and creditors show normal increases. For all three companies, the year opened with a period of comparative stagnation, due to the decline of private construction and bad weather, which was succeeded by a persistent flow of Government orders for fortification purposes after the collapse of France. It appears that, at the end of the year, stocks accumulated to the extent of more than 1,000,000 tons of cement and cement clinker in the industry as a whole, and that output is once more being slowed down. This state of affairs is described by the chairman, Sir P. Malcolm Stewart, in the course of his speech circulated with the accounts, in which he also makes a plea for just consideration of the record of the Cement Makers' Federation. No doubt the requirements of defence building in war and reconstruction in peace will ensure a steady flow of revenue to the group, both in the immediate and in the more distant future, but Sir Malcolm sees no early recovery in net revenue. The £1 ordinary stock of *Associated Portland Cement*, at 51s. 3d., offers a yield of £3 18s. per cent.

Union Corporation Results

That the published profits figure of Union Corporation for 1940, struck after tax, deduction of amounts applied in reduction of book value of investments, exchange differences, management commissions and bonuses, would show some decline on the 1939 figure was a foregone conclusion. In fact, the amount of the decline, which is only from £679,306 to £664,558, indicates that gross revenue from dividends and share dealing must have been well maintained last year. The total distribution of 64 per cent is repeated, although the free surplus, reduced from £618,297 to £611,513, does not completely cover the £616,000, gross, required for payment of dividend. The consequent draft on the carry-forward, however, reduces the total only from £126,638 to £122,151. The £36,324 expended on exploration during the year has, as in the three previous years, been charged directly to exploration reserve account, reducing the balance-sheet total of this fund to £110,996. The report lacks the customary tables of "Gold Consumption and Distribution" and of "Gold in Central Banks and Treasuries," but figures are provided for world output during 1940

and operating results are analysed of those South African Mining Companies in which Union Corporation is mainly interested. The balance-sheet shows a reduction in share and debenture holdings, other than in subsidiary companies, from £3,367,995 to £3,186,439, at which level the directors state that they are considerably below market valuation. The directors again state that they have provided for contingencies by reducing the book value of certain holdings below both cost and market valuation. An addition of over £1,000,000 to current, deposit and other accounts and accruing expenses, raising this item to £6,374,602, was re-invested at the date of the accounts. The Union Corporation 12s. 6d. ordinary shares, at 138s. 9d., offer a yield of £5 15s. 2d. per cent.

Metropolitan Electric Earnings

By one of those series of misfortunes, which, however incredible in retrospect, occur from time to time, a gross error crept into the comments on electric power results appearing on page 347 of *The Economist* of March 15th. As a result, it was made to appear that the Metro-amount earned for the ordinary capital of the Metropolitan Electric Supply Co. had fallen from a large credit for 1939 to a small debit for last year. This is incorrect; the net profits for 1940 available for the ordinary shareholders (including a sum of £2,181 arising from profit on the redemption of investments) were £238,698 or £83,091 less than in 1939. The correct figures are as follows:—

Company (years ended December 31)	Total profits	Earned for ordinary		Dividend	Ordinary stock (£1)	
		Amount	Rate		Price (ex div.)	Yield
Scottish Power:						
1938	747,300	479,615	17.4	8	35/8	4 10 2
1939	791,234	489,605	19.8	8		
1940	811,594	475,267	21.8	8		
North-Eastern Electric Supply:						
1938	1,509,880	433,518	8.7	7	28/-	5 0 0
1939	1,682,876	335,888	7.1	7		
1940	1,680,772	334,088	7.0	7		
Northampton Electric Light:						
1938	465,041	121,886	15.2	11*	41/3	4 17 0
1939	488,221	108,208	13.8	10		
1940	661,531	133,860	19.4	10		
Metropolitan Electric Supply:						
1938	1,707,021	353,582	11.8	10	32/3	4 10 3
1939	1,765,430	316,780	10.9	10		
1940	2,071,020	235,698	7.8	8		
Electrical Distribution of Yorkshire:						
1938	288,050†	199,545	18.3	9	36/8	4 10 4
1939	308,961	191,476	19.6	9		
1940	335,227	206,368	23.9	9		

* Including 1 per cent. special bonus. † Net revenue after tax.

In addition, the company's net revenue account shows an item of £6,658 transferred from Mains Reserve Account, which is not included in the figures given above. We take this opportunity of expressing regret for the company anxiety to stockholders or inconvenience to the company which may have been occasioned by the error.

British Oxygen Record Earnings

British Oxygen profits, after depreciation, reached the new record level of £1,364,944 for the calendar year 1940, against £883,961, the previous record figure, in 1939. The consolidated profit figure, before British income tax or depreciation, has risen from £1,887,995 to £1,897,508, and depreciation for the whole group is up from £422,053 to £451,108. The company's total tax provision is increased from £421,546 to £972,358, of which £134,100 in the previous year and £600,000 in the last year, represented reserve for EPT, income tax and war contingencies. Thus, after meeting the normal allocation to staff pensions and service on preference capital, the surplus for ordinary capital amounts to £806,313, against £872,810. There is no allocation to general reserve, which received £61,850 last year, but the EPT allocation conceals an appreciable nest-egg available after the war. The ordinary dividend of 15 per cent, paid on a capital increased to £3,461,102 by the previous year's 20 per cent capital bonus, compares with 17 per cent paid on the smaller capital, and is equivalent

to 18 per cent on that capital. It absorbs £312,364, against £318,709, both sums being shown net. Thus, the distribution is not completely covered by the free surplus of £306,313, and the carry forward is consequently reduced from £40,258 to £34,207. In the balance-sheet, the striking reduction in general reserve from £676,850 to £100,000 is accounted for by the distribution of the previous year's capital bonus. A decline in sums owing from subsidiary companies is mainly responsible for the reduction in investments in subsidiary, allied and other companies from £2,006,679 to £1,854,458. Creditors are up from £831,349 to £1,257,287, and debtors from £518,838 to £837,188, the difference financing a moderate rise in stocks from £672,533 to £731,161. Cash holdings are substantially higher at £467,886, against £54,634. There seems to be every reason to expect a continuation of the company's progress during the current year. The £1 ordinary stock, at 63s. 9d., yields £4 14s. per cent.

United Glass Bottle

The rise in United Glass Bottle total profits from £456,052 to £537,769 for the calendar year, 1940, is wholly encouraging, as is also the approximate stability of the equity surplus, which has declined only from £186,527 to £125,348, in both cases after deduction of ARP expenses, increased from £10,000 to £15,000. All general expenses are moderately higher, and the provision for tax is up from £150,000 to £240,000. None the less, the earned rate of 19.5 per cent provides ample cover for the total ordinary distribution, maintained at 12 per cent, and, after placing £25,000 to contingencies, against £50,000 to general reserve, the carry-forward is increased from £41,096 to £64,369. As the chairman, Sir Max J. Bonn, indicates in his speech, circulated with the report, the neutralisation of steadily rising costs—an increase in selling prices of 10 per cent was made



**Wanted
now!**

**For urgent
Government work**

**Modern Accounting
Machines**

Adding & Listing Machines

Calculating Machines

These machines are required for use mainly in Aircraft and Armament Factories for the production of Payroll Records, Stores Accounts, Purchase Ledgers and Cost Records. Machines should be in good mechanical condition and offers showing make and model and whether available for Sale, Hire or Loan should be addressed to:

**H.M. STATIONERY OFFICE,
SUPPLIES DIVISION (S.3.),
PRINCES ST., LONDON, S.W.1**

only toward the end of the year—had been effected by economies realised from increased output. The chairman points out that the company, with its subsidiaries, is continuing to make a satisfactory contribution to the export trade and that the technical understanding with the Owens-Illinois Glass Company of America has been continued in a cordial atmosphere. The decision to reinforce the carry-forward, rather than to make a higher contribution to reserve, has been dictated by the knowledge that liquidity is essential with the existing uncertainty of trading conditions. The balance-sheet shows a small decline in cash from £209,420 to £170,951, but the company has acquired Government securities to the amount of £119,983, and in March subscribed £25,000 to the local war weapons week. Stocks are satisfactorily higher at £783,845 against £623,002, while debtors and creditors, including tax provision, show normal rises. General reserve, as before, stands at £500,000, against fixed plant of £1,285,773. The £1 ordinary shares, at 50s. ex dividend, offer a yield of £4 16s. per cent.

* * *

ICI Profits

It is clear that the decline in ICI net profits for the calendar year, 1940, as announced in the preliminary statement, of some £900,000 to £6,418,533 is due wholly to the rise in taxation. The directors state that the sum due in NDC and EPT increased from £2,500,000 to £5,600,000. The allocation to obsolescence and deprecia-

tion remains at £2,000,000 and the 8 per cent ordinary dividend is repeated.

	Years to December 31,		
	1938	1939	1940
	£	£	£
Profits after taxation	8,561,291	9,313,485	8,418,533
Central obsolescence and depreciation fund	1,500,000	2,000,000	2,000,000
Preference dividends	1,666,081	1,666,104	1,666,104
Ordinary stock:			
Earned	5,395,210	5,647,381	4,752,429
Paid	4,032,149	4,032,149	4,032,149
Earned %	11.6	13.0	10.7
Paid %	8	8	8
General reserve	1,125,000	1,375,000*	339,262*
Workers' Pensions	172,995	180,049	180,092
Carry forward	621,245	681,428	882,354

* In 1939, £1,000,000 and, in 1940, £339,262, to War Contingencies Reserve.

Thus, the surplus for ordinary capital is reduced from £5,647,381 to £4,752,429, representing an earned rate of 10.7 against 13.0 per cent, grossed up at the standard rate of tax for 1941-42, less Dominion income tax relief of 3d. in the £. The allocations to general and war contingencies reserves are reduced from £1,375,000 to £339,262, leaving sufficient, after deduction of £180,092 for workers' pensions, to raise the carry forward from £681,428 to £882,354. The £1 ordinary stock, at 29s. 6d., offers a yield of £5 10s. 5d. per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

The firm tone in all sections of the market, which characterized dealings on Thursday of last week, was interrupted the next day by the imminence of the Budget and news of the evacuation of Benghazi. This week, sentiment was subdued by the critical state of military developments in the Balkans, although the absence of fresh duties on beer and tobacco encouraged buyers to favour these sections of the market, and the Budget as a whole received a favourable reception. On Tuesday, a short-lived but moderate rally was staged, from which the gilt-edged market and heavy industrials mainly profited. Home rails and the foreign bond market did not recover notably from the setback to all sections at the beginning of the week.

*

The gilt-edged market lost ground both immediately before and after the week-end. Two and a half and 4 per cent Consols eased $\frac{1}{8}$ on both days, while, on Monday, $3\frac{1}{2}$ per cent War Loan dropped $\frac{1}{8}$, and $2\frac{1}{2}$ and 3 per cent India stock $\frac{1}{8}$ point. The next day's recoveries were substantial, including rises of $\frac{1}{4}$ for $2\frac{1}{2}$ and 3 per cent Consols and $\frac{1}{8}$ for $3\frac{1}{2}$ per cent War Loan, but the improvement was not maintained in midweek, when fresh falls were occasioned by further moderate selling in an unwilling market. Following the extension of the war to the Balkans, the foreign bond market, naturally, lacked support. Despite recent optimism regarding the Far Eastern situation, Japanese bonds were consistently sold, after losses of 1 point by the majority of issues at the beginning of the week. Greek and Egyptian issues also suffered. Argentine bonds remained firm, and a number of excellent rises were realized by Brazilian Funding issues and by certain Chilean stocks.

*

The upward movement of home rails was interrupted toward the end of last week, when ordinary stocks suffered fractional losses and a number of marginal issues were also sold. This week, the market enjoyed a modest par-

ticipation in Tuesday's rally, in the course of which Great Western ordinary and Southern preferred ordinary both improved $\frac{1}{8}$ point. Among foreign rails, Canadian Pacific lost $\frac{1}{8}$ before the week-end and again on Tuesday, but there was considerable interest in Argentine rails.

*

There was no large turnover in the industrial market. Before the week-end, heavy industrials profited from pre-budget buying, and, during the current week, the brewery and tobacco groups were in demand. Indeed, on Tuesday, Guinness gained 3s. and Ind Coope 2s. 6d., while BATs, Carreras, and Gallaher were all $\frac{1}{4}$ higher. In sympathy with the general optimism of Tuesday, the heavy industrial group also returned to favour after suffering small but general losses at the beginning of the week, and improvements were realised by BSA, Dorman Long and Guest Keen. Associated Portland Cement and London Brick reacted on the publication of the cement group reports, but the textile group continued to show considerable firmness, with small regular gains for Courtaulds and Coats, until midweek, when Balkan developments caused a general moderate setback.

*

The kaffir market made a fairly rapid recovery from the setback occasioned by the evacuation of Benghazi, though, in common with other commodity markets, it derived no more than a passing rise from the Tuesday rally. In the course of this, Sub Nigel and West Wit Areas reversed a fall of $\frac{1}{8}$ suffered the previous day and Crown Mines a pre-week-end loss of $\frac{1}{8}$, while "Sallies" also improved $\frac{1}{8}$. The previous week's upward movement of tin and rubber shares was not continued, although these markets remained generally firm. In the oil market the most noticeable losses occurred in Trinidad issues, which have recently enjoyed substantial gains. The Tuesday rally produced widespread improvements, including $\frac{1}{8}$ for the ordinary issues of Shell Transport, Burmah and Lobitos, and $\frac{1}{8}$ for Trinidad Leaseholds, but news of the withdrawal from Salonika caused a definite setback in Shell and Burmah Oil.

"FINANCIAL NEWS" INDICES

1941	Approx. Total Bargains in S.E. List	Corres. De. 1940	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Apr. 3 ..	2,763	4,554	68.2	128.8
" 4 ..	2,810	4,600	68.0	128.4
" 5 ..	3,072	5,651	67.9	128.5
" 8 ..	2,422	4,668	68.1	128.4
" 9 ..	2,540	3,879	67.5	128.0

* July 1, 1935=100. † 1925=100. 30 Ordinary shares, 1941; highest, 73.7 (Jan. 17); lowest, 67.1 (Mar. 14). 20 Fixed Int., 1941; highest, 128.8 (Apr. 2); lowest, 126.1 (Jan. 2).

New York

Up to Friday of last week a firm tone predominated on Wall Street. Turnover was considerable and there was a strong demand for rail and chemical issues. Before the week-end, and during the current week, sentiment turned dull on fears of renewed labour difficulties and anxiety regarding Balkan developments. On Monday the absence of definite news from the war zone was responsible for a number of fractional losses, mainly affecting steel and copper stocks. Then, and later in the week, rail, oil, chemical, and motor issues also suffered small losses and price movements continued to be irregular.

New York Prices

	Close Apr. 11	Close Apr. 12	Close Apr. 11	Close Apr. 12
1. Railroads				
Balt. & Ohio ..	31	30	Colanese of A.	22 1/2
Illinois Cent. ..	25 1/2	24	Chrysler	63
N.Y. Cent.	12 1/2	12	Curt. Wr. "A" ..	26 1/2
Norfolk Pac.	64	63	Eastman Kdk.	135
Pennsylvania ..	24 1/2	24	Gen. Elec.	32
Southern	12 1/2	12 1/2	Gen. Motors	42 1/2
2. Utilities, etc.			Int. Nickel	48
Amer. Tel.	101 1/2	100	Liggett Myers	83 1/2
Amer. W'wks.	5 1/2	5 1/2	Nat. Dairy	13 1/2
Pac. Light	35	35 1/2	Nat. Distillers	20 1/2
Pub. Sv. N.J.	25 1/2	25	Proct. Gamble	65
Sth. Cal. Ed.	25 1/2	24 1/2	Sears Roebuck	71 1/2
United Gas	8	8	Shell Union	11 1/2
3. Commercial and Industrial			Socony Vac.	8 1/2
Amer. Metal	17 1/2	16 1/2	Stan. Oil N.J.	35
Am. Roll. ML.	13 1/2	13	20th Cen. Fox	6
Am. Smelting.	40	38 1/2	W.S. Steel	50 1/2
Anaconda	24 1/2	23 1/2	West. Ind.	94 1/2
Briggs	20 1/2	19 1/2	Woolworth	29 1/2
			Yngstn. Sheet	34

Continued on page 498

Capital Issues

Week ending April 12, 1941	Nominal Capital	Conversions	New Money	Year	Including Conversions	Excluding Conversions	Nature of Borrowing (Conv. Excl.)		
							Year	Deb.	Ord.
To the Public	Nil	Nil	Nil	1941 (New Basis) ...	(a)360,099,326	(a)360,099,326	'41 (New Basis) (a)357,437,812	34,460	2,657,054
To Shareholders	Nil	Nil	Nil	1940 (New Basis) ...	738,129,384	285,174,251	'40 (New Basis) 375,977,966	605,807	8,590,478
By S.E. Introduction	Nil	Nil	Nil	1941 (Old Basis)	(a)359,545,139	(a)359,545,139	'41 (Old Basis) (a)357,045,139	Nil	2,500,000
By Permission to Deal	109,376	144,302	144,302	1940 (Old Basis)	728,777,933	376,022,800	'40 (Old Basis) 375,254,500	77,500	640,800
Net Savings Certs.† ...	4,917,864	4,917,864	4,917,864				" Old Basis " includes public issues and issues to shareholders. " New Basis " is all new capital in which permission to deal has been granted. (a) Less £1,600,000 National Savings Certificates and £366,809 3% Defence Bonds repaid in period Feb. 24, 1941, to March 31st, 1941.		
3% Defence Bonds (s) ...	4,956,670	4,956,670	4,956,670						
2% Nat. War Bonds† ...	105	105	105						
Ditto, 2nd issues†(a) ...	11,251,535	11,251,535	11,251,535						
3% Savings Bonds†(b) ...	10,541,475	10,541,475	10,541,475						

Destination (Conversions Excluded)

Year	U.K.	Brit. Emp. ex U.K.	Foreign Countries
'41 (New Basis) (a)357,550,223	2,540,103	Nil	Nil
'40 (New Basis) 354,694,519	479,432	Nil	Nil
'41 (Old Basis) (a)357,045,139	2,500,000	Nil	Nil
'40 (Old Basis) 375,880,344	142,456	Nil	Nil

CONVERSIONS AND REPAYMENTS

Brandon's Putney Brewery.—This company will repay at par, on May 6th, £200,000 four per cent first mortgage debenture stock.

UNION CORPORATION, LIMITED

(Incorporated in the Union of South Africa.)

ABRIDGED REPORT OF THE DIRECTORS

In submitting to the Shareholders the Accounts of the Corporation for the year ended December 31st, 1940, the Directors state:—

The Accounts are drawn up in Union of South Africa currency, United Kingdom currency being taken at par.

The profit for the year is £811,512 14s. 6d., plus £126,637 18s. 6d. brought forward, making a total of £738,150 13s. 0d. A final dividend of five shillings and sixpence, United Kingdom currency per share was declared absorbing at par £423,500, making, with the interim dividend of two shillings and sixpence, a total of eight shillings, or £816,000 for the year. £122,160 13s. 0d. remains to be carried forward.

Those shareholders entitled to receive payment of the dividend in the Union of South Africa will be paid at par provided there is no material difference between the Union and United Kingdom currencies on the day the dividend is due, i.e., April 24th. Should there be any material difference between the two currencies on that date, payment will be made in Union currency calculated at the rate of exchange then ruling.

Exploration expenses incurred during the year amounting to £36,324 8s. 3d. have been charged directly to Exploration Reserve Account, leaving a balance of £110,096 6s. 10d. to be carried forward on that account.

Holdings of Shares, Debentures and other securities have been taken into the Accounts at cost or under, but in no case above the market price of December 31st last, or, where no market price exists above the Directors' valuation. At present market prices, these holdings show a very substantial surplus over the amount at which they stand in the Balance Sheet. The Directors, as on other occasions, have thought it expedient to provide for contingencies by reducing the book cost of certain holdings both below cost and below market price.

GOLD INTERESTS

The operating results of EAST GEDULD MINES for the last two years are as follows:—

	Tons milled	Gold output (and per ton)	Price per oz.	Working costs (and per ton)	Working profit (and per ton)	Dividends (and per share)
1939	1,829,000	£3,912,292 (42/9)	148s.	£1,435,976 (15/8)	£2,476,316 (27/1)	£1,215,000 (13/6)
1940	1,910,000	4,625,000 (48/5)	168s.	1,593,000 (16/8)	3,032,000 (31/0)	1,260,000 (14/0)

The ore reserves at December 31st last amounted to 15,200,000 tons assaying 5.2 dwt. per ton over 57 inches.

The operating results of GEDULD PROPRIETARY MINES for the last two years are as follows:—

	Tons milled	Gold output (and per ton)	Price per oz.	Working costs (and per ton)	Working profit (and per ton)	Dividends (and per share)
1939	1,385,000	£2,340,341 (34/3)	148s.	£1,013,811 (14/10)	£1,326,530 (19/5)	£1,168,686 (16/0)
1940	1,370,000	2,630,000 (38/5)	168s.	1,218,000 (17/10)	1,412,000 (20/7)	1,095,643 (15/0)

In addition to the profits earned from its own operations, the Company received revenue from other sources amounting to £504,000, which figure includes £483,400 in respect of dividends received on its large shareholdings in East Geduld Mines and Grootvlei Proprietary Mines.

The ore reserves at December 31st last amounted to 9,000,000 tons assaying 4.5 dwt. per ton over 53 inches.

The operating results of THE GROOTVLEI PROPRIETARY MINES for the last two years are as follows:—

	Tons milled	Gold output (and per ton)	Price per oz.	Working costs (and per ton)	Working profit (and per ton)	Dividends (and per share)
1939	947,500	£1,066,603 (22/6)	148s.	£1,086,603 (22/6)	£603,313 (12/9)	£408,750 (8/0)
1940	1,234,500	2,717,000 (44/0)	168s.	1,439,000 (23/4)	1,278,000 (20/8)	613,125 (4/6)

The ore reserves at December 31st last amounted to 7,500,000 tons assaying 5.2 dwt. per ton over 49 inches.

being brought into commission. As a consequence of the acquisition of the Palmietkui Company's 2,414 claims, the tonnage to be milled monthly will be higher than contemplated for Grootvlei alone. The Grootvlei Company's mining area is now 6,625 claims.

The operating results of MARIEVALE CONSOLIDATED MINES for 1940, the first full year, are as follows:—

	Tons milled	Gold output (and per ton)	Price per oz.	Working costs (and per ton)	Working profit (and per ton)	Dividends (and per share)
1940	531,500	£1,153,000 (43/5)	168s.	£798,000 (30/0)	£355,000 (18/5)	£56,250 (—/3)

The ore reserves at December 31st last amounted to 2,000,000 tons assaying 5.7 dwt. per ton over 39 inches.

Distributions in 1940, amounting to 6d. per share, bringing the total Liquidation Distribution to date to 4s. 4 1/2d.

The operating results of VAN DYK CONSOLIDATED MINES for the last two years are as follows:—

	Tons milled	Gold output (and per ton)	Price per oz.	Working costs (and per ton)	Working profit (and per ton)	Dividends (and per share)
1939	1,026,000	£1,636,101 (35/9)	148s.	£1,171,551 (22/10)	£464,550 (12/11)	£412,500 (1/6)
1940	1,128,200	2,386,000 (42/3)	168s.	1,401,000 (24/10)	985,000 (17/5)	481,250 (1/9)

The ore reserves at December 31st last amounted to 3,100,000 tons assaying 5.4 dwt. per ton over 39 inches.

The profits of BRITISH ENKA ARTIFICIAL SILK COMPANY for 1940 have exceeded its E.P.T. standard. Co-operation has continued to the benefit of all the Companies in the industry.

ORANGE FREE STATE.—Since the close of the year the Corporation has purchased the mineral rights over an area of 4,024 morgen on farms adjoining the property of the Western Reefs Exploration & Development Company, Limited.

In the area north of the Sand River, Western Holdings, Limited, with whom the Corporation is collaborating, has completed its drilling programme. As a result of the work done, certain farms have been purchased and these have formed the subject of an application to the Government by Western Holdings, Limited, for a Prospecting and Mining Lease, the grant of which has been approved by the Government, subject to the conclusion of the necessary Lease Agreement.

In an area over which options have been more recently acquired by Western Holdings, Limited, and which lies further to the north, the Corporation, by arrangement with Western Holdings, Limited, has investigated that part lying east of Bothaville and north of Valsch River. The results obtained were discouraging and the options in that section of the area have been abandoned. Other portions of the area were still under investigation by Western Holdings, Limited, at the end of the year.

OTHER INTERESTS

BAY HALL TRUST.—Net profit for 1940 was £75,143, plus £71,567 brought forward, making £146,710 available. A dividend of 6 1/2 per cent. was again paid, absorbing £65,381, £10,000 was placed to the credit of Realisation Reserve Account and the balance of £71,329 carried forward. The Trust's investments as at December 31st last, at their current market prices, amounted to £1,717,371.

SAN FRANCISCO MINES OF MEXICO.—Accounts have not yet been published, but it is understood a small net loss has been made for the financial year to September 30th, 1940, owing to high taxation and the low base metal prices which prevailed. Modest profits are now being made as a result of improved metal prices.

SELECTION TRUST.—Paid a dividend of 7 1/2d. per unit of Ordinary Stock for the year ended March 31st, 1940. Its principal interests are in the American Metal Company, Consolidated African Selection Trust and Trepan Mines.

SOUTH AFRICAN PULP & PAPER INDUSTRIES.—During the year satisfactory progress was made in overcoming the initial technical difficulties encountered, and sufficient orders were received to keep the paper machines continuously occupied though not at maximum capacity. Small working profits commenced to be earned in March, 1940, and, after providing for depreciation, the net profit for the year amounted to £10,629, reducing the debit balance on Profit and Loss Account to £74,374.

RHODESIA AND WEST AFRICA.—The Northern Rhodesian copper mines increased their earnings but were affected by increased taxation. Consolidated African Selection Trust showed improved results from its diamond mining interests in West Africa.

COPIES OF THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED ON APPLICATION TO THE LONDON OFFICE, PRINCES HOUSE, 95 GRESHAM STREET, E.C.2.

OTARD'S
COGNAC BRANDY

The Chase National Bank.—Deposits on March 31st, 1941, reached record figure of \$3,617,530,000, compared with \$3,060,769,000 on March 30th, 1940. Total resources, \$3,890,245,000, against \$3,345,528,000, on March 30th, 1940. Capital, \$100,270,000 and surplus, \$100,270,000, both unchanged. Undivided profits, \$39,289,000, against \$30,217,000 on March 30th, 1940. Earnings 41 cents per share against 43 cents per share first quarter 1940.

disadvantage, for they have in Roumania an abundance of oil readily available. Indeed, so far as oil is concerned, their latest aggression will cost them virtually nothing, for they could not in any case have transported the whole of Roumania's output to the Reich this year. On the other hand, Roumania was also the natural supplier of Yugoslavia, which, having only a trifling output of its own, imported 160,000 tons of petroleum (mostly crude) from all sources in 1939. With the cutting of this supply line, the Yugoslavs will have to rely in the main upon British aid when their own oil reserves have been consumed. The Greeks are in much the same position. Their oil imports amounted to 390,000 tons in 1939—rather more than one-third coming from Roumania and the bulk of the remainder from the Dutch West Indies and the United States. That Britain is in a position to shoulder these commitments is not in doubt, for the quantities involved are relatively small and could easily be transported from Near Eastern producing centres. But this week's aggression underlines the urgent need for a determined attempt to disorganise the Nazis' oil supplies by the bombing of objectives such as the Ploesti oil refineries, the loading facilities at the Roumanian port of Giurgiu on the Danube, and the storage accommodation at Rustchuk, the Bulgarian port on the opposite shore.

* * *

Soya Bean Supplies

The soya bean can be used as a food, in the manufacture of soap and of products similar to those derived from mineral oil, for making paints, linoleum, synthetic rubber and many other commodities. Suitably processed, soya bean flour has been developed into a staple diet of the German army, and is even used in cakes and pastries. Germany and Japan have been the biggest importers chiefly from Manchukuo. World production in 1940 is estimated at 483.5 million bushels, against 477.5 millions in 1939, thus ensuring ample supplies for the world markets. According to "Foreign Crops and Markets," published by the American Department of

Agriculture, the trend of production has been as follows:

	1935	1937	1938	1939	1940
China.....	184,415	213,189	207,600	203,900	216,800
Manchukuo	141,793	159,907	157,445	144,952	140,817
U.S.A.	44,378	45,272	62,729	91,272	79,837
Hungary	(*)	(*)	(*)	125	194
Roumania.....	424	2,584	1,803	3,532	3,600
Yugoslavia	36	64	140	103	294
Bulgaria	(*)	419	246	613	1,451
Total world ...	410,500	466,000	478,000	477,500	483,500

N.B.—World production excludes Soviet Russia, but includes Chosen, Japan, the Dutch East Indies, and a number of smaller producers.
(*) No figures available.

Owing to drought, production in the United States decreased in 1940 in spite of an increase in acreage. The table shows that in the Danube countries the cultivation of soya beans is a new industry. It has been developed by Germany as a means of reducing her imports of oil-seeds from non-European countries, which constituted the greater part of her peace-time imports of fats, amounting to 45 per cent of her total requirements. Germany's supply position in 1940-41 will be difficult. The huge stocks laid in before the war will have been considerably decreased. By the cession of Bessarabia to Russia Germany lost control over roughly 80 per cent of Roumania's output of soya beans, and it is not known whether Russia will export Bessarabian soya beans to Germany. During 1939-40 supplies from Manchukuo reached Germany by the Siberian railway. In September, 1940, Manchukuo was reported to have come to an agreement with Germany providing for the supply of 11 million bushels during 1940-41. Assuming that this quantity could be shipped to Germany in the form of beans or in oil, that Russia would export Bessarabian beans, and that a further increase in cultivation in the Danubian countries would be achieved, Germany's imports in 1940-41 would roughly be equal to two-thirds of her imports of soya beans in 1938, which then provided some 10 per cent of the total fat imports of the Old Reich.

COMMODITY AND INDUSTRY NEWS

Rubber prices continue firm; the spot price of ribbed smoked sheet was 14½d. per lb. on Tuesday, compared with 14½d. a week ago. Changes in home trade quotas under the Limitation of Supplies (Miscellaneous) Order are discussed in a Note on page 498. The Cotton Importers and Distributors, the purchasing and distributing agents for the Government, is to have 16 directors, instead of eight as previously announced. The ten who are to come from the Liverpool Cotton Association have already been elected. The remaining six are to be elected from the Manchester Cotton Association. A national marketing company has been formed by the Minister of Food to ensure efficient distribution of vegetables.

Tin Statistics.—According to Messrs. A. Strauss & Co., Ltd.'s *Monthly Tin Bulletin*, world visible tin stocks during March fell from 44,053 tons to 39,971 tons. The record deliveries of 16,092 tons in the United States may partly account for this fall. A further cause is the falling off of production in the East; Malaya produced 10,845 tons in January and February of this year, compared with 12,864 in the same period in 1940. United Kingdom stocks fell from 4,244 tons to 3,008 tons. Tin prices have not shown much change this week. The closing price of standard cash on Tuesday was £268 10s.—£269 per ton, compared with £270—£270 5s. a week earlier, with the three months' figure at £265 15s.—£266, against £266 15s.—£267. Business in tins has been more active; exports up to 50 per cent. of existing stocks have been authorised up to May 31.

Cotton Trade.—Business has been small. The Controller has not been prepared to issue preference certificates for export, but some of the old contracts are now being proceeded with. It is expected

that more machinery will be required to meet the requirements of our allies in the Near East. Shippers of cloth are more anxious to place orders, but numerous manufacturers have not been willing sellers. Shipping merchants will not know how they stand until the quotas are available under the selective export policy which is discussed in a Note on page 498. Yarns have been sold in restricted quantities.

Compensation Experiment in Cotton.—As an experiment, Lancashire cotton spinners are starting a compensation scheme for the benefit of spinners whose mills are closed down under the concentration scheme. Firms working to full capacity will contribute 1½d. per spindle and those on part-time, 1½d. The closed firms will receive 1d. per spindle. The experiment is to last one month. About £7,500 a year would be contributed to the pool by a mill with 100,000 spindles.

Control of Rice Prices.—The Minister of Food made an Order which came into force on April 7, fixing maximum prices for rice on sales by millers or importers to wholesalers, primary to secondary wholesalers, on sales to retailers and by retail. An importer is defined as a person to whom rice is sold by the Minister. For sales by millers or importers, prices vary according to the description of the rice, from 25s. 4½d. per cwt. for Burma rice, to 44s. per cwt. for Patna rice. For sales between wholesalers, prices are 1s. 9d. higher, and the retailer will pay between 30s. 4½d. and 49s. Retail prices are fixed between 4½d. and 7d. per lb. Supplies of descriptions not covered by the Order are believed to be small and their price is left free.

From ('000 quarters)	Week ended		From Aug. 1 to	
	Mar. 22, 1941	Mar. 29, 1941	Mar. 30, 1940	Mar. 29, 1941
N. America	490	662	17,532	14,286
Argentina, Uruguay	207	203	13,380	6,352
Australia	...	...	3,605†	...
Russia	...	...	114	...
Danube and district	...	...	5,020	182
Other Countries	...	...	345	...

* Unobtainable. † Incomplete.
Source: *The Corn Trade News*.

From ('000 quarters)	Week ended		From Apr. 1 to	
	Mar. 22, 1941	Mar. 29, 1941	Mar. 30, 1940	Mar. 29, 1941
Argentina	113	3	15,312	7,454
Atlantic America	10	...	3,350	2,942
Danube Region	...	...	1,528	678
S. & E. Africa	...	...	3,650	1,384†
Indo-China, etc.	...	...	1,075	91

* Not received. † Incomplete since January 18th.
Source: *The Corn Trade News*.

	Mar. 31, 1941	Apr. 1, 1941	Apr. 2, 1941	Apr. 3, 1941	Apr. 4, 1941
Crops.....	109.8	110.0	109.8	109.9	109.9
Raw materials.	173.0	172.7	172.9	172.0	172.8
Complete Index	137.9	137.8	137.8	137.5	137.5
Crops.....	Mar. 31, 1937	Aug. 31, 1939	Apr. 4, 1941	Mar. 4, 1941	Mar. 28, 1941
Crops.....	147.0	92.2	111.3	108.8	109.4
Raw materials.	207.3	122.9	162.3	170.3	173.2
Complete Index	175.1	106.4	134.4	136.1	137.2

* Highest level reached during 1932-37 recovery.

COMPANY MEETINGS

REFUGE ASSURANCE COMPANY, LIMITED

ASSETS £74,600,000. INCOME EXCEEDS £13,100,000

LIFE ASSURANCE IN WARTIME

The seventy-seventh annual ordinary general meeting of the Refuge Assurance Company, Limited, was held, on Friday, April 4th, at the chief office of the company, Oxford Street, Manchester. Mr J. Wilcock Holgate (chairman of the company) presided.

The secretary (Mr J. W. Moss), having read the notice convening the meeting and the auditors' report, the chairman, in moving the adoption of the report and accounts, said:—
Gentlemen,—We meet once again under the clouds of war, and before I deal in detail with the accounts now before you I would like to tell you something of the difficulties in administration which the company has had to face, and of how we have endeavoured to overcome them.

Our first problem was naturally that of staff. At the end of 1939 the number of our employees serving with the Forces was 244, and this number has now been increased to 1,655, of whom 108 are from chief office and 1,552 from our field staff. In many of the latter cases the work is being carried on by the wives of the employees who have been called up, while good work is also being done by pensioners of the company who have returned temporarily to our service. As regards chief office, work is being cut down to a minimum, and here, for the first time, married women have been engaged on a temporary basis. Difficulties in transport and postal delays have occurred from time to time, but their efforts were overcome; and despite the enemy's attacks on areas in which so many policyholders of the company are to be found, contact has been maintained or restored, collection of premiums carried on, and payment of claims made as they arose. In cases where premises occupied by the company have been damaged, the situation has been dealt with immediately and the work of the company carried on with the minimum of interruption.

NECESSITY FOR LIFE ASSURANCE

In these days of total effort it is encouraging to reflect that not only in our private capacities but also in this business of life assurance we can play an important part in the national war effort. Even more in war than in peace life assurance is an essential part of the social and economic life of the nation. In this company alone we administer over 8,700,000 policies, arranging for the receipt of premiums, and in due course paying the claims; and, in fact, during 1940 we paid out in claims on the average £27,000 each working day. But that is not all. All over the country the need for new life assurance arises day by day, and in these times particularly and despite the necessary restrictive conditions, there is wide appreciation of the truth that only by life assurance can a man create immediately an estate for the protection of his dependants.

Practically the whole of the policies issued by this company prior to the war contained war restriction conditions. We have undertaken, however, for the time being (excluding certain temporary benefits) to pay war claims under such policies in full, while as regards policies issued after the outbreak of war the utmost benefit has been granted as regard war deaths compatible with the security of the general body of policyholders.

Life assurance is a form of saving which is of great assistance to the country's war finance in that so large a proportion of life assurance funds is invested in Government loans. This company alone in 1940 increased its holdings of British Government securities by over £8,500,000, and further investments of this nature have since been made and will continue to be made as opportunity arises.

As regards employees in the company's service at the out-

break of war and who are now with the Forces, we are happy to be able to maintain their pension rights and to make allowances to supplement their service pay and Government allowances. I am sure that their efficiency in their new sphere will at least not be diminished by the financial assistance thus provided; and I know that it will be your earnest hope, as it is my own, that good fortune and a safe return await them.

THE EFFECT OF WAR ON LIFE ASSURANCE

All this cannot be done without its effect on the company's finances. Although war deaths have so far been on nothing like the scale of 1914-18, the effect on our mortality experience in both branches has been evident. The investment of so much of the company's funds in low-yielding Government securities has reduced our interest income, while the granting of allowances to the staff, the effect of which is making itself increasingly felt, coupled with the additional expenses attaching to administration in wartime, including substantial sums on account of air-raid precautions, will have their inevitable effect on our expense ratios.

REVIEW OF THE YEAR

Bearing all this in mind, you will be glad to learn that so far we have been able to deal adequately with the problems presented to us, and in considering the following figures it must be remembered that in October, 1939, the company's industrial assurance business in Eire was transferred to the Industrial and Life Assurance Amalgamation Company, Limited, of Dublin, and that since that date no new business has been transacted in Eire in either branch.

Our total premium income decreased by £42,910 to £10,666,614 and our net interest income, at £2,491,222, was less than in 1939 by £70,642. Our total claims were £3,162,981, which included £4,750,971 by way of maturities alone. The aggregate surplus in both branches amounted to £2,459,574, and the total assets now stand at £74,606,552, having increased by £2,146,290 during the year.

INDUSTRIAL BRANCH

In the industrial branch our premium income amounted to £6,140,818, showing an increase of £63,699 over that of the previous year. The net interest income was £1,201,667, and the life assurance fund increased during the year by £1,259,746 after the transfer of £200,000 to the investments reserve fund, which now amounts to £2,450,000. The expense ratio shows a reduction, being 31.63, as against 32.07 in respect of 1939; but in this connection I should like to warn my hearers that a repetition of this experience during the present year is extremely unlikely, as the effect of our additional costs will become increasingly evident.

During the year the number of policies falling out of benefit through non-payment of premiums was gratifyingly low, and the average duration of the premium-paying policies on our books has again increased, being now twelve years and eleven months.

In this branch premiums are collected at the homes of our policyholders; and our percentage of collections is remarkably high, bearing in mind the difficulties encountered in bombed areas and attendant on the evacuation, and sometimes on the return and re-evacuation of policyholders. Contact in all such cases is immediately sought and is usually obtained with the minimum of delay, thereby securing to our policyholders the benefits arising from continuity of the service it is the aim of the company to provide.

INDUSTRIAL BRANCH VALUATION

The valuation was again made on a 2½ per cent. basis, and the resulting surplus, which includes £152,013 brought forward from the preceding year, was £852,178. The sum of £200,000 has been transferred to the investments reserve fund, and it is proposed to allocate to the shareholders £104,084, to carry forward £148,094, and to set aside £400,000 for allocation to policyholders by way of permanently increasing the sums assured by certain policies, and of making the payment of claim arising by death or survival of endowment terms during the ensuing year on the basis of the latest and most favourable scale of benefit as regards those policies which have not been placed permanently upon this latest scale by this or previous allocations of surplus, together with an addition of 2½ per cent. in respect of policies, with certain exceptions, dated prior to January 1, 1936.

ORDINARY BRANCH

In the ordinary branch the number of new policies issued was 32,038, as compared with 41,926 issued during the previous year. The new sums assured amounted to £4,873,322, a sum which represents 76 per cent. of the corresponding figure for 1939.

The ordinary branch premium income for the year was £4,525,796, and the net interest amounted to £1,289,555. The expense ratio was 12.60 as compared with 13.52 in respect of 1939, the decrease being largely attributable to the fall in new business; and the life assurance fund now amounts to £38,807,687, in addition to which there is an investments reserve fund of £2,250,000.

ORDINARY BRANCH VALUATION

Having regard to the fall in interest rates in recent years, and in particular to the consequent probability of a diminishing yield on our funds, it has been thought desirable to strengthen the basis of valuation in this branch. The net premium method was again employed, the rate of interest assumed, as previously, being 3 per cent., but in the case of participating policies 97½ per cent. only of the net premiums on the valuation basis has been valued. On this materially more stringent basis the resulting surplus is £1,607,395, which includes £1,269,858 brought forward from the preceding year. It is felt that the events of last year more than justified the modified form of bonus distribution adopted at our last meeting, and it is proposed that it be repeated, the sum of £75,744, including interim bonuses of £4,609 paid during the year, being allocated to policyholders to provide a bonus on participating policies which become claims by death or survival within the twelve months commencing March 20, 1941, at the rate of £1 per cent. on the sum assured in respect of each full year's premium due and paid in 1939 and 1940 respectively, the sum of £1,273,235 being carried forward to meet any contingencies which may arise out of the present world situation, or to be dealt with subsequently as the board may determine. The sum of £250,000 is transferred to the investments reserve fund, and the remainder, amounting to £8,416, is allocated to the shareholders.

INVESTMENTS

Turning to the balance sheets, perhaps the outstanding feature is the increase of £3,744,997 in our holdings of British Government securities. This increase is attributable mainly to investments in the new war loans, the total of these investments in itself considerably exceeding the growth in the funds during the year and indicating plainly the company's effort to play its part in financing the country's war requirements.

The total amount of the company's holdings of British Government securities now amounts to £30,193,321, and represents 40.47 per cent. of our total assets and 50.44 per cent. of our Stock Exchange securities. So high a proportion of the foregoing class of investment is not, of course, conducive to a high yield of interest on our funds, but it does possess some favourable features, one of which is that it is principally responsible for my being able to inform you that the aggregate value of our Stock Exchange securities, based on middle market prices, very materially appreciated during the year under review and exceeded considerably the figure at which they appear in

the balance sheets, the investments reserve funds being retained intact.

Notwithstanding that your board regard this as a satisfactory position, they have decided, in view of the uncertain outlook which unfortunately still prevails, to transfer £450,000 to the investments reserve funds which, on the passing of these accounts, will amount in the aggregate to £4,700,000.

As regards the interest yields per cent. on our assurance funds, in the industrial branch the gross yield has fallen from £4 12s. 5d. to £4 11s. 5d., and the net yield from £4 5s. 4d. to £4 3s. 4d. In the ordinary branch the gross yield is £4 13s. 1d. against £4 14s. 11d. in 1939, and the corresponding net yield £3 7s. 8d. compared with £3 12s. 7d. These yields, though unpalatable, are, I think, no worse than we might have expected having regard to the circumstances.

There has been little change in the geographical distribution of the investments as compared with the preceding year, as the following figures indicate:—

	1939	1940
	Per cent.	
Great Britain	84.71	86.85
Indian and Colonial	11.58	9.74
Foreign	3.71	3.41

NATIONAL HEALTH INSURANCE

Turning now to another branch of the company's activities, I have to report that on behalf of the National Amalgamated Approved Society we administer the National Health Insurance of a membership of 745,000. During the year payments of benefit were made amounting to £684,822, including £71,818 in respect of maternity benefits. In addition, the further considerable sum of £46,149 was received by Refuge members by way of non-cash benefits. The number of new members of the society obtained during the year by Refuge representatives was 59,218.

National Health Insurance has become an essential part of the social fabric of this country, and, despite the staff difficulties thrust upon us by war conditions, the services demanded by the insured persons must be maintained.

TRIBUTE TO STAFF

In conclusion, I wish to pay tribute to the efforts of the company's staff, both indoor and outdoor, during a year of intensified war. We were very conscious of the difficulties and dangers which have confronted them in varying degrees in the performance of their duties; but in every area the company's staff have continued to function—administration has been maintained, claims promptly paid, premiums collected, and dispersed policyholders discovered and linked up again with the company's services; and this despite the voluntary civil defence duties so freely undertaken by members of the staff. The whole personnel is passing through a testing time, but I know that Refuge men and women will face with confidence, and overcome, the problems which the future surely holds.

I am glad to say that our relations with the Chief Office Staff Council and the Refuge Field Staff Association continue to be most cordial.

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

The report and accounts were adopted.

Messrs W. Proctor Smith and J. Wilcock Holgate were re-appointed directors.

Messrs Walton Watts and Company were reappointed auditors.

The meeting closed with a vote of thanks to the chairman.

Every year many hundreds of Companies publish Reports of their Annual General Meetings in *The Economist*, thereby reaching thousands of investors in the quiet of their own homes.

In time of war the value of this practice is greatly enhanced because *The Economist* provides valuable information which is not otherwise available to investors, who therefore read it more carefully than ever.

Full particulars of the charges for inserting these reports may be obtained on application to The Reporting Manager, *The Economist*, 8 Bouverie Street, E.C.4.

WESLEYAN AND GENERAL ASSURANCE SOCIETY

CENTENARY YEAR

STRONG FINANCIAL POSITION

NEW "SAVE-TO-WIN" POLICY

A.R.P., A.F.S., AND THE HOME GUARD

ASSETS EXCEED £17,000,000

CLAIMS PAID EXCEED £31,000,000

The one hundredth annual general meeting of the members of the Wesleyan and General Assurance Society was held on the 1st instant, at the Central Hall, Corporation Street, Birmingham, Mr Arthur L. Hunt, F.S.S., F.C.I.I., the society's chairman and managing director, in the chair.

The joint manager and actuary (Mr D. R. Woodgate, M.Com., F.I.A.) presented the reports and statement of accounts for the year ended December 31, 1940.

The chairman, in moving the adoption of the reports, said:—

The society was, as you know, founded one hundred years ago. Its chief office has always been in the City of Birmingham, which at the time of the establishment of the society was a small country town. The city, during the century, has grown to become a great metropolis with over a million inhabitants carrying on a wide variety of trades, and the society has developed into a great insurance institutions serving one in every forty of the population of Great Britain, with district offices in all important centres and agencies in every part of the country.

CLAIMS

During the year the claims paid in all departments amounted to £1,768,560, which brings the total paid since the inception of the society to over thirty-one million pounds. War claims under life assurance policies effected before the outbreak of war have been met by payment of the full sum assured.

I should like to take this opportunity of informing all A.R.P. workers and members of the A.F.S. and the Home Guard that if they effect a with-profits policy in the ordinary department or a policy in the industrial department and pay the normal rate of premiums, they will be treated as favourably as other dependants will receive one-quarter of the sum assured and twice the premiums they have paid. These are very generous terms of which they will be well advised to take advantage.

With regard to the Home Guard, the directors decided in May, 1940, that, so long as the Home Guard remains as at present constituted, war claims under policies effected before the outbreak of war will be met in full without an extra premium being required. Also, as I have already indicated, members of the Home Guard now effecting policies will be treated in all respects as civilians.

ORDINARY DEPARTMENT

The surplus disclosed on valuation, together with £11,500 transferred from the industrial department, amounted to £183,074 8s. 9d., out of which the directors decided to apply £82,344 to provide a reversionary bonus at the rate of £1 per cent. of the sum assured on all with-profit policies. The directors also transferred £35,000 to general reserve and £11,020 to the staff pension Scheme fund and carried forward £54,710 8s. 9d.

In this department a new "Save-to-Win" policy has been introduced. This policy enables the assured to buy 3 per cent. Savings Bonds, 1955-65, by instalments over fifteen years and also gives life assurance protection to his dependants. By effecting a "Save-to-Win" policy the assured is directly assisting the war effort. If the assured completes his proposal during a local War Weapons Week, the Savings Bonds which the society buys on his behalf count in the local War Weapons Week total.

INDUSTRIAL DEPARTMENT

The premium income of the department increased by over £16,000. The surplus disclosed on valuation amounted to £229,047 3s. 11d., out of which the directors decided to apply

£20,000, together with the unexpended balance of previous allocations, for the benefit of industrial department policyholders by way of additions to the sums payable on claims arising by death or maturity on or before April 6, 1942. These additions are on the same scale as formerly, and vary from 2½ per cent. on policies of ten years' duration to 10 per cent. on policies of forty years' duration and over.

The directors also decided to transfer £50,000 to investments reserve, £20,000 (less income tax) to the ordinary department, £20,000 for the benefit of the outdoor staff, £53,980 to the staff pension scheme fund and to carry forward £65,067 3s. 11d.

FIRE, MOTOR VEHICLE, EMPLOYERS' LIABILITY AND GENERAL DEPARTMENTS

The premium income of these departments has suffered a reduction as a consequence of the war, but the departments have been operated at a small profit. This business is wholly re-insured, so that all claims are the liability of the re-insuring office. The funds of the departments have increased to £68,108 18s. 4d.

On the outbreak of war the society was appointed by the Board of Trade to act as agent in connection with the Government scheme for the insurance of commodities. The society, in common with other fire insurance offices, assists in working the scheme without profit. The Government makes an allowance to the society calculated to be sufficient to cover the administrative costs and is itself liable for all claims.

ASSETS

The assets of the society now appear in the balance sheet at £17,211,866, having increased by £470,333 in the year.

Over one-half of the assets are represented by Stock Exchange securities, of which 78 per cent. are securities in the United Kingdom. During the year £532,600 has been invested in the new war issues of British Government securities.

The market value of these Stock Exchange securities exceeds the value at which they stand in the society's books.

Mortgages on property represent nearly one-quarter of the assets. These include over 5,600 loans to enable policyholders to purchase the houses in which they live.

INCREASED FINANCIAL STRENGTH

The financial strength of the society has been increased by £92,965, after meeting war death claims out of revenue and after making special provision in the valuation for war mortality. The investments and general reserves, the surpluses carried forward and the fire and general funds now amount together to over £978,000, and this figure, in conjunction with a consideration of the stringent bases employed in the valuation of liabilities, is a measure of the society's financial strength.

I am particularly pleased to be able to disclose this excellent position in the society's centenary year. It shows that during the prosperous period of years through which the society has passed, the opportunity was taken of making provision for adverse circumstances. This was not done at the expense of policyowners or the staff, for whose benefit substantial allocations were made. In the ordinary department high rates of reversionary bonuses were declared for many years, and since 1927 industrial department policyowners have received allocations totalling over £740,000. The outdoor staff of the society also benefited by the allocation of cash sums since 1927, and a staff pension scheme was instituted in that year.

I am pleased to be able to state with confidence that the society is in a sound position to face the uncertainties of the future, and that it is entering upon its second century of existence in a better financial condition than ever before.

ASSOCIATED PORTLAND CEMENT MANUFACTURERS, LIMITED

A DIFFICULT YEAR

SIR MALCOLM STEWART'S STATEMENT

The forty-second annual general meeting of the Associated Portland Cement Manufacturers, Limited, will be held at the Federation of British Industries, 21, Tothill Street, Westminster, S.W., on April 17th.

The following is an extract from the speech of the chairman, Sir P. Malcolm Stewart, Bt., O.B.E., D.L., LL.D., which has been circulated with the report and accounts.

The chairman, dealing with the accounts, states that the net profit for the year amounted to £539,648, as compared with £741,981 for the previous year. Two interim dividends of 5 per cent each on the ordinary stock in respect of the year have been paid, leaving £2,148 to be added to the carry forward which will then amount to £215,828.

He continues: Trading conditions during the early months of last year were unsatisfactory, deliveries being exceptionally low, influenced by the extreme severity of the weather experienced. Change came with startling suddenness. Three major events coincided and these brought about an abnormal demand, which proved to be short-lived. There was the acceleration of the Government factory construction programme, the heavy requirements for defence works, following the withdrawal of the B.E.F. from France, and also for A.R.P. work. Difficulty in giving prompt delivery, at the same time, to all these demands was much increased by the lack of adequate transport facilities, the slowing down of coastwise shipments in particular throwing an undue strain on rail and road services. The consequences of this passing phase of coincident occurrences caused alarm.

It was erroneously assumed in some quarters that there would be a serious shortage of cement. The situation was made worse by the well-intentioned institution by the Government of a cement coupon scheme, since withdrawn, which further held up deliveries despite the strenuous efforts of the Cement Makers' Federation to administer it. This was the position last autumn. What is the situation to-day? The industry holds in stock over one million tons of cement and cement clinker and it looks as though a number of important factories will be compelled to reduce production because their cement silos and warehouses are filled to capacity.

CEMENT MAKERS' FEDERATION

Since there would appear to be a considerable degree of ignorance as to the performance and policy of the Cement Makers' Federation, I will briefly refer to its war work and aims and to what it has accomplished in recent years. The Cement Makers' Federation, alive to the need for a small body that could take prompt action, shortly after the outbreak of hostilities appointed a War Executive Committee which has worked continuously, placing national interests first and giving all Government departments concerned the fullest help and support in dealing with the inevitable difficulties arising out of the war. That the Federation early realised the industry might be called upon to make an important contribution to the war effort is evidenced by the fact that in October, 1939, its Executive Committee passed a resolution urging all members to expand production to the utmost possible extent regardless of any consideration. But the determination of the industry to provide for the future was given effect to long before the outbreak of war. Between the years 1934 and 1938 it increased its annual production capacity by no less than two and a quarter million tons. This heavy expansion of capacity was mainly outside the Thames and Medway area and far exceeded any normal requirements due to growth of demand; indeed we were faced with the problems arising from over-production.

Let us now consider the results procured through the co-operation of the members of the Cement Makers' Federation. A weak industry, suffering from adversity and paying the lowest rates of wages, has been transformed into a prosperous industry paying good wages and making provision for the welfare of its workers. Some members instituted, many years ago, holidays

with pay, profit-sharing schemes, and more recently pension schemes. Rational control of the industry based on close co-operation has put the members of the Cement Makers' Federation in a position to make heavy expenditure on improvements in plant and process so as to secure a high degree of efficiency and to manufacture Portland Cement of much improved quality.

COSTS AND SELLING PRICE

I will give you a few figures relating to our group of companies. In the 15 years prior to the outbreak of war we reduced the average per ton cost of production by 32.3 per cent. During the period the cost of purchased materials was much increased. Let us see how the consumer has fared. Has he shared in the proceeds arising from reduced costs of production? He certainly has most substantially, since the net naked average price per ton received by us at works from the consumer was in the 15 years prewar reduced by 35 per cent. It goes without saying that this reduction in selling prices could not have been achieved had we not been able greatly to increase production and deliveries.

Let us now see how we have dealt with our employees, and this is of primary importance. Between 1925 and May, 1939, six advances in wages, totalling 12s. per week were granted by the National Joint Industrial Council. Further, thanks to the harmonious working between the manufacturers and the Trade Union delegates on the council, the industry has been free from strikes and lock-outs. At the same time a good return has been made to our stockholders and the financial position of the companies has been strengthened. Efficiency, the vital factor in industry, bringing low overhead charges and reduced costs of production, has been achieved despite the increased costs of materials and the advances in wages to our workers. Thus have the benefits accruing from co-operation through the Cement Makers' Federation been fairly shared. I have endeavoured to make clear the policy and performance of the Cement Makers' Federation through facts and figures given you.

POST-WAR PROBLEMS

The recent creation by the Government of the Ministry of Works and Buildings, with Lord Reith as Minister, is a step in the right direction towards solving the practical problems of reconstruction and planning. The industry welcomes Government control in war time, since we court investigation. The effective organisation of the Federation is considerably facilitating the task; indeed the greater the need for Government intervention in industry the greater the necessity for each industry to be well organised. This is an essential requirement if industrial reconstruction is to proceed smoothly.

Most of us are conscious that after the war we shall enter a period of far-reaching changes affecting our social and industrial life. We have to wait to see the shape these will take. Meanwhile, every nerve must be strained to make more effective our man power and material resources to secure an unchallengeable victory. This is not yet in sight, but the will to work and to win, sustained by the progress already achieved on sea, land and in the air, thanks to brilliant leadership and the indomitable courage of all Arms, gives calm and confident assurance of final triumph.

In these times it is obvious that any forecast must be hedged with caution. The year has opened disappointingly, the demand being weak. Despite the relatively better weather, as compared with the early months of 1940, we have only recently passed the very low deliveries then made. Transport and production may become more difficult and dislocated, but even if this does not happen I feel we shall be fortunate if the demand absorbs the tonnage produced. Thus, the present outlook does not warrant my leading you to look for the submission next year of results which will show an improvement on those now before you.

THE UNITED GLASS BOTTLE MANUFACTURERS, LIMITED

TRIBUTE TO STAFF

SATISFACTORY RESULTS

EXPORT TRADE INCREASED

DIVIDEND MAINTAINED

SIR MAX J. BONN'S STATEMENT

The following statement by the chairman, Sir Max J. Bonn, has been issued to the shareholders of the United Glass Bottle Manufacturers, Limited.

Your directors deemed it a matter of general convenience that my necessarily brief observations should accompany the annual report and accounts for the financial year ended December 31, 1940. Thus the general meeting to be held on the 17th inst. will be called upon to transact formal business only.

The satisfactory figures now submitted for your approval do not adequately reflect the difficulties under which our factories have been working, some, fortunately, of a temporary nature only, others of a general character. It is therefore right that pride of place should be given to an expression of sincere appreciation and best thanks to the managers of the factories and to all members of the U.G.B. organisation. Their efforts and exertions have not been limited to their ordinary duties, but cover the wider field of additional service, which both self-interest and public spirit demand.

I know that it will give Mr T. C. Moorshead very special satisfaction to convey this message to all concerned, with which, I am sure, shareholders would wish to be associated.

Your business is becoming more markedly subordinate to the national effort, both by direct contribution and the effect on our customers of the Limitation of Supplies Orders.

If I deal more cursorily with the comparative figures, you will appreciate the need for greater reticence.

BALANCE SHEET ITEMS

Dealing with the assets side of the balance sheet, it will be observed that plant and machinery at £558,449 compare with £598,052 last year. The sum of £120,000 has been invested in National War Bonds, and during the St. Helens War Weapons Week in March this year we subscribed a further sum of £25,000. The "U.G.B." National Savings Group, which was formed in January, 1940, has received the continued support of our staff and works employees throughout the organisation. Cash at bankers, £170,951, shows a decrease of £88,469. Stocks, stores and packages are increased by £160,843 to £788,844. Debtors, including dividends due from subsidiary companies (since received) at £701,380 compare with £650,105. On the liability side of the account sundry creditors and provision for income tax, Excess Profits Tax, war damage insurances and contingencies at £758,999, show an increase of £204,801.

PROFIT AND LOSS ACCOUNT

The net profit for the year shown in the accounts is £236,345 (as against the previous year £248,443), to which is added the balance from last year, £41,096. After making various allocations, to which I shall refer later on, there remains available for distribution £193,251.

The dividend for the year, less income tax on the preference shares £51,809, and an interim dividend less income tax on the ordinary shares, £22,480, has been paid, and it is proposed to pay a final dividend on the ordinary shares of 6 per cent. less income tax, making 9½ per cent. for the year (same as last year) and a cash bonus of 2½ per cent. less income tax (same as last year) £54,594, and to carry forward a balance of £64,368.

SUBSIDIARY COMPANIES

The item "Dividends from subsidiary companies" consists mainly of the contribution we receive from British Bottles,

Limited. Once again they have worked in accordance with the key figure on which the merger was based, but have distributed only the same dividend as last year, less the heavier deduction for income tax.

Our Northern factories make an essential, though indirect, contribution to the export effort. As regards the export of empty bottles U.G.B. shows a further satisfactory increase.

Kork-N-Seal, Limited, have somewhat reduced their dividend, largely as a measure of precaution. During the year they moved some of their activities closer to their main consumers; pending the smoothing-out of the inevitable difficulties of physical transfer, it is only reasonable to expect some drop in net earnings.

INCREASED COSTS AND SELLING PRICES

Practically throughout the whole of the year our rising costs have been absorbed without any increase in our prices. This was solely possible thanks to the large volume and the increased velocity of our turnover and the economies resulting therefrom. Towards the end of the year, however, it became necessary to impose a further price increase of 10 per cent.

You will readily appreciate the difficulty in making strict comparisons with pre-war results; apart from the heavy surcharges—such as the increase in wages, raw materials, freights, etc., etc.—the cost of war risk insurance constitutes a heavy incidence. Provision for the back payment which will become due in respect of war risk insurance on buildings and plant has been made as a direct working charge.

You will observe the special reference in the amount charged for depreciation under the heading of "Depreciation of moulds." We have had to restrict our mould work more and more. Thus, it has been impossible to keep them at the normal U.G.B. standard of repair, the highest possible one. When we return to post-war practice we shall be confronted with heavy arrears for mould repair, and we have now started making the necessary provision.

ALLOCATION OF PROFITS

As regards the allocation of the net profit shown, those for debenture sinking fund, staff benevolent fund and air-raid precaution expenditure require no special comment.

Rather than add to general reserve, we have allocated £25,000 to contingency reserve and have increased the carry-forward by £23,272. We would ask you to regard this liquidity as an indication of the many uncertainties which may affect our production. So far, however, we have worked quite satisfactorily and in accordance with our anticipations, which envisaged some shrinkage from the abnormally high level of our general business during the last few years.

I am happy to be able to state that within the last few days we have had word from our friends, the Owens-Illinois Glass Company, offering to extend our technical understanding for a further period. Quite apart from its practical value, we regard it as a gesture significant of their desire, in common with the American people, to extend a helpful hand.

Once again we offer our best wishes to absent colleagues and to all other members of our organisation engaged on active service and civil defence, and look forward to the renewal of a more personal meeting with our shareholders.

HALIFAX BUILDING SOCIETY

STRONG LIQUID POSITION

The eighty-eighth annual general meeting of this society was held, on the 7th instant, in Halifax.

In moving the adoption of the report and statement of accounts, Brigadier-General Sir Edward N. Whitley, K.C.B., C.M.G., D.S.O., D.L., the president of the society, said:—

Just after our last annual meeting the land campaign opened on the continent of Europe with the invasion of Denmark and Norway, and ended two months later with the collapse of France. Neither the results of the land campaign nor the great air battles over this country in August and September, however, shook the confidence of our investing members or depositors, and the notices for withdrawal remained at all times easily within the amount of cash lying in the hands of our bankers. Indeed, throughout the whole period fresh investment money continued to come in.

WAR DAMAGE ACT

Turning to the effects of the war on our borrowing members, we cannot forget the tragedy to the individual member who has lost, in one moment, his or her home and all that it contained, and we welcomed the Government's promise of a scheme of compensation for war damage which has now been brought to fulfilment in the War Damage Act. This Act strengthens our position as mortgagees, and we have not felt it necessary to make any special provision in the year's accounts for war damage where it has occurred. It also confers benefits on our members whose property may have been damaged or destroyed by enemy action, and introduces a wholly new principle into the relations between lenders and borrowers. A borrower who has purchased his house with the aid of a loan from the society can, under certain conditions, now call upon the society to reimburse him a considerable proportion of the contribution which he has to make under the Act.

BURDEN OF TAXATION

There has been a tremendous increase in our income-tax liability, and this tax, together with our National Defence Contribution in the year of account, amounted to over one and a quarter million pounds. After paying interest to shareholders (£2,626,004) there remains a sum of £299,726 out of which we propose to pay a bonus of 5s. per cent. to the paid-up shareholders Class I and to the monthly subscription investing shareholders, leaving a balance to be carried forward to next year of £267,778.

The total reserve funds and undivided profit are now nearly £6,000,000, or almost 6 per cent. of the amount outstanding on our mortgage securities.

The liquid assets, which are represented by trustee investments repayable at par at fixed dates, and cash in hand or in the banks, have increased by £1,897,585 to £23,833,977 and include £1,760,000 of British Government securities, for which we have subscribed during the year as a contribution to the national needs, and we have directly channelled on behalf of our members and depositors a further sum of £2,304,000.

To sum up the accounts for the year in a sentence, we have increased our liquid assets, we have retained the confidence of our investors, and our borrowing members have again shown their determination to fulfil their obligations in the face of the difficulties and trials of total war.

MEMBERS' AVERAGE HOLDING

There is often a tendency to regard a building society as a wealthy corporation, and I think it is time to protest strongly against that point of view. Our members are, in the main, men of small means, the average amount standing to the credit of each of our investing members and depositors being £256, and it is unfair to treat them as if they held great accumulations of wealth.

In conclusion, the president extended the good wishes and thanks of the directors to the 235 members of the staff serving with the forces, and to the general managers, officials, branch managers and staff for carrying on under difficult conditions.

TELEPHONE AND GENERAL TRUST, LIMITED.

A SATISFACTORY RESULT

The fifteenth annual general meeting of the Telephone and General Trust, Limited, will be held at Maidenhead on the 21st instant.

The following is a summary of the statement of the acting chairman, Mr A. N. Rye, which has been circulated with the report and accounts.

The chairman of the company, Sir Alexander Roger, was called upon by the Ministry of Supply to lead a mission to India in the summer of last year, and had sent a cable expressing his deep regret at his inability to preside at the general meeting this year.

The profit for the year amounted to £114,287, an increase of £1,758. Including the amount brought forward, the total available for distribution was £176,856. Income tax accounted for £12,000, and, after providing for the 7 per cent preference dividend, an interim dividend of 3 per cent and a final of 5 per cent on the ordinary stock and a dividend of 8 per cent on the "A" ordinary shares, there was £68,196 to be carried forward against £62,569 brought in.

There was a reduction of £175,604 in debentures and loans to subsidiary companies and an increase of £121,463 in cash at call and at bank. Early in 1940 the Anglo-Portuguese Telephone Company was permitted to issue £200,000 of debenture stock, the proceeds of which were used to repay part of the trust's loan. Under present conditions they had deemed it desirable to maintain a more liquid cash position than was their usual practice.

A valuation of their securities at December 31, 1940, showed a depreciation of 10.6 per cent on the total investments of £2,420,262. That depreciation was more than covered by reserves and surplus.

Speaking generally, they had surmounted the difficulties of 1940 more successfully than he personally had thought probable, and had made a good start in 1941.

BRITISH TYRE AND RUBBER COMPANY, LIMITED

BURDEN OF E.P.T.

The annual general meeting of this company was held, on the 7th instant, in London.

Sir Walrond Sinclair, K.B.E. (chairman and managing director), in the course of his speech, said: The net profit for the year, subject to taxation, amounts to £318,506. Preference dividend paid for the year to May 31, 1940, was £13,500 net, premium and expenses on redemption of debenture stock £124, interim ordinary dividend of 3½ per cent £19,687, while there are transfers to contingencies reserve £40,000, amount written off goodwill, etc., £12,500, and allocation to general reserve £25,000. At the general meeting held on October 8, 1940, a further interim dividend of 4½ per cent, less tax, on ordinary shares, requiring £23,288, was authorised and subsequently paid, and the directors now recommend a cash bonus of 3 per cent, less tax.

While the dividend distribution, together with the bonus, has been maintained on the same basis as last year, the operation of the excess profits tax creates—and will create still more in future—a "ceiling" beyond which we cannot penetrate so long as it is maintained at 100 per cent. The accounts under review cover a period of six months of the E.P.T. rate at 60 per cent, and the second six months at 100 per cent, or, in other words, the average is 80 per cent, but if no change takes place our future profits—provided they are above a certain figure—will be subject to the full rate of 100 per cent.

The excess profits tax in our case means that there will be appropriation to the Exchequer of 100 per cent of all profits made above what is to us an artificial and arbitrary level calculated at a period dating considerably before hostilities broke out. Consequently the profit available for distribution to shareholders will be restricted to that arbitrary level.

The report and accounts were unanimously adopted.

THE SCOTTISH PROVIDENT INSTITUTION

MUTUAL LIFE ASSURANCE

The One Hundred and Third Annual General Meeting of the Scottish Provident Institution was held in Edinburgh on Tuesday, the 8th instant, Mr A. W. M. Beveridge in the chair. Before dealing with the accounts, the chairman referred to the loss sustained through the deaths of Mr James Maxtone Graham and Mr Alfred Shepherd, directors, and of Sir Robert Boothby, manager of the Institution, and paid fitting tribute to their personality and their services over many years.

He continued as follows:—

The report deals with the first complete calendar year of the present war, and the figures show a further diminution in new business. Proposals were received for amounts totalling £1,725,120, and policies were issued for £1,547,922. Of this, £146,131 was reassured with other offices, leaving a net total of £1,401,791, which is 60 per cent. of the business for the previous year. In the case of five offices, which are covering civilian war risk without extra, the percentage is no more than 67½. Part of the decrease in our figures arises from our having withdrawn from the issue of temporary and other low-rated assurances and part from the reduction in the number of our inspectors, due to their being called up. Instead of four months of war, as in 1939, we have had twelve in 1940, and some of the effects are cumulative. More and more of the men of assuring ages—our potential policy-holders, are being absorbed into the forces.

The total funds stand at £25,326,301, which is £34,537 less than the corresponding figure for the previous year. The items producing this result have been variously affected by the war. Commission and expenses are lower. Past experience has been repeated in fewer surrenders of policies and fewer loans upon policies. Income tax payments have gone up by £29,763. Claims by death are up £22,737. Of the total death claims of £1,021,510, £82,667 due to death from enemy action arises in respect of policies issued before the war, under which we were covering war risks without receiving any extra premium, this sum being made up of £12,707 for civilians and £69,960 for members of the forces. For new entrants the practice of the Institution is now to restrict the liability in event of death occasioned by hostilities to a return of premiums paid or the surrender value, if that should be greater.

The rate of interest realised is £4 5s. 10d. gross (£4 8s. 6d. in 1939), and the net rate works out at £3 4s. 9d., as against £3 9s. 10d. last year. The further reduction in net yield is due in part to increased income tax, although the second Finance Act of 1940 limited the rate applicable to mutual life assurance offices to 7s. 6d. in the £. These yields are calculated on the total funds of the Institution, including the Investment Reserve Fund.

The greater portion of our funds having been invested in pre-war days, the yield last year, as I have said, was £3 4s. 9d. net, but as investments mature a lower rate must be looked for, since it is our normal policy to use new money to support the new war loans.

The depreciation at the end of 1939 of some 3½ per cent. in the aggregate market value of the Stock Exchange Securities, after taking the Investment Reserve Fund into account, had disappeared before the annual meeting in March of last year, but the events of May and June caused renewed weakness, so that at December 31, 1940, the depreciation was virtually the same as at the end of the previous year. The directors bore this in mind when they deemed it prudent to increase the Investment Reserve Fund by £750,000, making it up to £1,350,000.

In his speech last year the chairman stated that the Board reserved the right, under current conditions, to reconsider the position as regards intermediate bonuses, if circumstances should necessitate such a course. Keeping in mind the severity of air attack and the reduction which falling interest rates may make in the surplus at 1943 (out of which intermediate additions fall to be paid), the directors thought it well to suspend payment of them in respect of claims after December 31, 1940, whether by death or survivance.

To the officials at Head Office and Branches and to every member of the staff, I take this opportunity of expressing our thanks and appreciation.

With cheerful determination they are doing their utmost and overtaking whatever extra may fall to them of the work of the Institution.

The motion for the adoption of the report was seconded by Mr John Bartholomew, F.R.G.S., and carried unanimously.

The directorate was thereafter constituted and Mr Francis More, C.A., was reappointed auditor.

JOHN BARKER AND COMPANY, LIMITED

A SATISFACTORY PROFIT

The forty-eighth ordinary general meeting of John Barker and Company, Limited, was held, on the 8th instant, at 99-121 Kensington High Street, W.

Mr Trevor A. Bowewn, D.L., J.P., chairman and joint managing director, after paying a tribute to the life and work of the late Sir Sydney Skinner, who was chairman of the company up to the time of his death, said: Having in mind the many difficulties and trading problems which have arisen as a result of the war, the final net profit of £196,897 is satisfactory. I am well aware that there is a drop of £109,765 compared with last year; but you will, I feel sure, agree that we have emerged fairly well.

I am under no illusions with regard to the current year: it may well prove one of the most difficult in the company's experience. It has been well said that difficulties are made to be overcome, and all who serve your interests will do their best.

The difficulties relating to the "Limitation of Supplies" Act will undoubtedly operate in increasing measure during the current year; and already the further restricted quotas (reduced in many cases to as low as 25 and 33½ per cent of our pre-war figures) are being experienced. To this must be added the further burden of the Purchase Tax—16½ per cent in many cases and 33½ per cent in others on the wholesale price of specified goods, so increasing the price to the consumer. These matters are beyond our control. One bright spot, however, is that your board anticipated legislation of this kind and immediately took steps to increase the company's stocks of merchandise.

The final result is a net profit of £196,897, showing a decrease of £109,766. But for the circumstances obtaining during the year it would be a serious decline but you will appreciate why our final net profit has decreased by approximately one-third.

The directors recommend the payment of 10 per cent for the year on the ordinary shares, carrying forward £205,323, or a little more than we brought in.

The report was adopted.

To Overseas Readers

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

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

Enquiries should be addressed to the

Intelligence Branch,
THE ECONOMIST
8 Bouverie Street, London, E.C.4

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the five days ended April 5, 1941, total ordinary revenue was £31,849,000, against ordinary expenditure of £38,358,000 and issues to sinking funds of £268,000 (against £5,514,000, not £5,514 as stated, last week). Thus, including sinking fund allocations, the deficit was £56,775,000 against £27,999,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)	
	6 days ended April 6, 1940	5 days ended April 5, 1941
ORDINARY REVENUE		
Income Tax	9,649	13,723
Sur-tax	1,390	1,940
Rate, etc., Duties	1,570	1,850
Stamp	270	330
N.D.C.	530	330
R.P.T.	50	3,286
Other Inland Revenue	20	...
Total Inland Revenue	13,479	21,109
Customs	4,596	6,771
Excise	779	1,800
Total Customs and Excise	5,375	8,571
Motor Duties	2,184	1,617
P.O. (Net Receipt)	Dr 259	500
Crown Lands	...	...
Receipts from Sundry Loans	...	...
Miscellaneous Receipts	24	52
Total ordinary Revenue	20,812	31,849
SELF-BALANCING Post Office and Broadcasting	1,400	900
Total	22,212	32,749
Expenditure		
Issues out of the Exchequer to meet payments (£ thousands)		
6 days ended April 6, 1940 5 days ended April 5, 1941		
ORDINARY EXPENDITURE		
Int. and Man. of National Debt	17,520	16,326
Payments to N. Ireland	32	32
Other Cons. Fund Serv.	...	...
Total	17,552	16,358
Supply Services	31,000	72,000
Total Ord. Expenditure	48,552	88,358
Sinking Funds	259	266
Total	48,811	88,624
SELF-BALANCING Post Office and Broadcasting	1,400	900
Total	50,211	89,524

After increasing Exchequer balances by £211,766 to £2,838,281, the other operations for the week (no longer shown separately) raised the gross National Debt by £58,082,244 to about £11,453 millions (after deducting £17,043,000 issued to sinking funds in 1940-41, but excluding issues to sinking funds in 1941-42).

AGGREGATE ISSUES AND RECEIPTS

THE ISSUES

The aggregate issues and receipts from April 1st, 1941, to April 5th, 1941, are:—

(£ thousands)			
Ordinary Exp.	88,358	Ord. Revenue	31,840
Inc. in balances	212	Gross. borr.	58,082
Misc. issues (net)	1,095	Less—	
		Sinking fds.	266
		Net borrowing	57,816
	89,665		89,665

OTHER ISSUES (NET)

(£ thousands)	
Anglo-Turkish Agreement	97
Tithe Act	930
Overseas Trade Guarantees	85
	1,095

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1940						
April 6	716.0	706.8	55.0	50.5	33	1,477.8
Dec. 31	2151.8	86.0	...	...	...	2,262.3
1941						
Jan. 11	845.0	...	Not available	...	...	...
" 18	845.0	...	Not available	...	...	...
" 25	845.0	1340.7	96.1	...	306.0	2,647.7
Feb. 1	845.0	...	Not available	...	...	...
" 8	845.0	...	...	...	...	...
" 15	845.0	...	...	...	...	...
" 22	845.0	1309.4	165.5	...	355.0	2,734.9
Mar. 1	845.0	...	Not available	...	...	...
" 8	845.0	...	...	...	...	...
" 15	845.0	...	...	...	...	...
" 22	845.0	...	...	...	...	...
" 29	2211.6	172.3	...	...	429.5	2,813.4
April 15	845.0	...	Not available	...	...	...

TREASURY BILLS

Date of Tender	Amount			Average Rate Allotted	Per Cent. Allotted
	Offered for	Applied	Allotted		
1940					
April 5	50.0	94.5	50.0	20	8.33
Dec. 27	65.0	143.8	65.0	20	1.52
1941					
Jan. 3	65.0	133.3	65.0	20	2.03
" 10	65.0	134.7	65.0	20	2.01
" 17	65.0	145.0	65.0	20	1.28
" 24	65.0	139.4	65.0	20	4.04
Feb. 7	65.0	150.7	65.0	20	2.84
" 14	65.0	149.4	65.0	20	3.39
" 21	65.0	142.5	65.0	20	4.23
" 28	65.0	139.1	65.0	20	4.43
Mar. 7	65.0	160.5	65.0	20	3.43
" 14	65.0	151.2	65.0	20	0.17
" 21	65.0	153.8	65.0	19	11.79
" 28	65.0	131.6	65.0	20	2.95
April 4	70.0	148.3	70.0	20	2.40
" 11	70.0	164.7	70.0	20	2.41

On April 4th applications at £99 14s. 11d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted at about 26 per cent. of the amount applied for, and applications at higher prices in full. £70 millions of Treasury bills are being offered on April 11th. For the week ending April 12th the banks will be asked for Treasury deposits to the maximum amount of £40 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2% BONDS SUBSCRIPTIONS

(£ thousands)		New		3% Sav. Bonds	
Week ended	N.S.C.	3% Def. Bonds	2% Bonds	2 1/2%	3%
Feb. 25	4,602	4,661	47	8,927	4,920
Mar. 4	4,475	3,615	8	8,952	6,314
" 11	4,518	4,027	1	9,472	6,490
" 18	4,180	4,428	Nil	9,217	4,989
" 25	5,055	4,958	14	17,835	11,080
Apr. 1	4,918	4,957	Nil	11,252	10,541
" 8	...	...	Nil	10,448	8,516
Totals to date	256,516*	252,914*	444,433†	160,838‡	99,240§

* 71 weeks. † 42 weeks. ‡ 14 weeks

Interest free loans received by the Treasury up to April 8th amounted to a total value of £30,937,446. Up to March 31st, principal of Savings Certificates to the amount of £31,672,000 had been repaid.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Finland appeared in "The Economist" of Dec. 9th, 1939; Norway, of Apr. 13th, 1940; Denmark, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Switzerland, of June 15th; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Meille Iran, of Nov. 23rd; Lithuania, of Nov. 30th; Roumania, of Feb. 8th; Hungary, of Feb. 15th; Roumania, of Feb. 22nd; Bulgaria, of Mar. 15th; Greece, of Mar. 22nd; Jugoslavia, of Mar. 29th; Sweden, U.S. Federal Reserve Member Banks, and Prague, of Apr. 5th.

U.S. FEDERAL RESERVE BANKS

Million \$'s				
	Apr. 1940	Mar. 1941	Mar. 1941	Apr. 1941
12 U.S.F.R. BANKS				
RESOURCES				
Gold Certifs. on hand and due from Treas.	16,102	20,103	20,102	20,101
Total reserves	16,435	20,446	20,454	20,436
Total cash reserves	375	332	341	324
Total U.S. Govt. secs.	2,467	2,184	2,184	2,184
Total bills and secs.	2,480	2,193	2,193	2,193
Total resources	19,719	23,731	23,527	23,551
LIABILITIES				
F.R. notes in circn.	4,935	6,039	6,079	6,159
Excess m. bank res.	5,820	6,110	6,010	5,940
Mr. banks res. dep.	12,395	13,741	13,633	13,506
Govt. deposits	13,824	913	909	1,045
Hidden deposits	19,719	16,375	15,327	16,255
Total liabilities	19,719	23,731	23,527	23,551
Reserve ratio	87.9%	91.1%	91.3%	91.2%
BANKS AND TREASURY:				
RESOURCES				
Monetary gold stock	18,470	22,335	22,359	22,384
Treas. and bk. currency	2,991	3,104	3,108	3,110
LIABILITIES				
Money in circulation	7,521	8,828	8,842	8,944
Treas. cash and dep.	3,064	3,121	3,136	3,296

BANK OF CANADA—Million Can.\$

	Mar. 1940	Feb. 1941	Mar. 1941	Mar. 1941
ASSETS				
Reserve: Gold	225.8	53.5	51.0	60.66
Other	217.8	569.33	571.67	534.68
LIABILITIES				
Note circulation	217.3	350.31	357.44	360.93
Deposits: Dom. Govt.	50.1	53.72	62.98	20.78
Chartered banks	205.1	208.16	211.27	214.70
† Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.				

AUSTRALIAN COMMONWEALTH BANK—Million £'s

	Feb. 1940	Jan. 1941	Jan. 1941	Feb. 1941
ASSETS				
Gold and English stg.	16.08	19.41	19.41	17.71
Other coin, bullion, etc.	7.09	6.55	6.34	6.64
Call money, London	30.64	62.32	59.22	59.41
Secs. and Treas. bills	93.85	92.15	91.89	90.93
Discounts and advances	31.40	26.97	27.19	27.06
LIABILITIES				
Notes issued	52.02	62.87	62.37	62.37
Deposits, etc.	108.12	126.04	122.59	122.89

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s				
	Feb. 1940	Jan. 1941	Jan. 1941	Feb. 1941
ASSETS				
Gold and stg. exch.	19.40	19.41	19.41	18.95
Advances to State	26.26	26.03	26.59	26.55
Investments	3.38	3.77	3.78	3.78
LIABILITIES				
Bank Notes	18.09	21.82	21.47	21.40
Demand liab.: State	5.74	7.97	8.91	10.35
Banks and others	16.11	15.08	15.87	16.19
Reserves to sight liab.	30.8%	35.5%	37.0%	39.5%

CENTRAL BANK OF ARGENTINA

Million paper pesos				
	Jan. 1940	Dec. 1940	Jan. 1941	Jan. 1941
ASSETS				
Gold at home	1,224	1,071	1,071	1,071
Other gold & for exch.	172	258	259	271
Non-int. Govt. bonds	119	119	119	119
Treasury bonds	399	395	395	395
LIABILITIES				
Notes in circulation	1,185	1,224	1,201	1,213
Deposits: Government	438	497	454	447
Banks	123	127	119	63
Certs. of participation	78.1%	75.1%	75.1%	72.2%
Reserve ratio	78.1%	75.1%	75.1%	72.2%

(Continued on page 509)

MONEY MARKET STATISTICS

EXCHANGE RATES

The following rates fixed by the Bank of England remained unchanged between April 2nd and April 8th. (Figures in brackets are par of exchange.)

United States. \$ (4.862) 4.024-03; mail transfers 4.024-03. Canada. \$ (4.862) 4.43-47; mail transfers 4.43-47. Switzerland. Francs (25.22) 17-80-40. Sweden. Krona (18.159) 16-85-95. Argentina. Peso (11.44) 18-95-17-18; mail transfers 16-95-17-15. Dutch East Indies. Florin (12.11) 7-58-62; mail transfers 7-58-64. Dutch West Indies. Florin 7-58-62; mail transfers 7-58-64. Portugal. Escudos (110) 99-80-100-20. Panama. \$ 4.02-04; mail transfers 4.02-04. Manila. Peso 8-09-12; mail transfers 8-09-13.

Rates Fixed for Payment at Bank of England for Clearing Offices

Spain. Peseta (25.22) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey. Lira (1.10) 6-20.

Market Rates

The following rates remained unchanged between April 2nd and April 8th:—

Greece. Drachma (375) 515 sellers. Finland. Mark (128.23) 180-210. Egypt. Piastres (97) 97-1. India. Rupee (18d. per rupee) 17-18-18. Hongkong. 14-15-15d. per \$ Japan. Yen (24.55d. per yen) 13-14-14. Jugoslavia. Dinar (276.32) 155 sellers; trade payments 200 sellers Singapore. \$ (28d. per \$) 28-1/2. Colombia. Peso 6 (nominal). Belgian Congo. Francs 170-1/2. Shanghai. 3-34d. per \$.

SPECIAL ACCOUNTS are in force for the following countries and no rate of exchange is accordingly quoted in London: Hungary, Turkey, Brazil, Chile, Uruguay and Peru.

Forward Rates

Forward rates for one month have remained unchanged as follows:—United States. 1 cent pm-par. Canada. 1 cent pm-par. Switzerland. 3 cents pm-par. Sweden. 3 ore pm-par. Dutch East Indies. 1 1/2 cents pm-par.

MONEY RATES, LONDON

The following rates remained unchanged between April 2nd and April 8th:—

Bank rate, 2% (changed from 3% October 26th, 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, 1 1/2%. Short loans, 1-1 1/2%. Bank deposit rates, 1%. Discount deposits at call, 1%; at notice 1%.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash. Previous year's rate is total dividend unless marked* indicating interim dividend.

Company	*Int. or Final	Total	Payable	Prev. Year
MINING				
Boulder Terravance	20†	40	...	40
Roan Antelope Copper	5*	...	May 19	10*
INSURANCE				
South British Insurance	7 1/2*	...	...	7 1/2*
TEA AND RUBBER				
Ampat (Sumatra) Rbr.	...	6†	...	2†
Ayer Kuning Rubber	...	10	...	10
Batu Kawan Rubber	...	2 1/2	...	1 1/2
Highlands and Lowlands Rubber	...	10	...	5
Karak Rubber	...	7 1/2	...	5 1/2
Kuala Kangsar Rubber	4 1/2†	10	...	10
Rubber	...	10	...	10
Sungei Buaya Rubber	...	3 1/2	...	2 1/2
Takau (F.M.S.) Rubber	...	5	...	3
INDUSTRIALS				
Ansell's Brewery	5*	...	...	5*
Beardmore (Wm.) & Co.	7†	10	...	10

(Continued from page 50

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Deprecia- tion, 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.
Motor Cycle & Aviation		£	£	£	£	£	£	%	£	£	£	£	%
Standard Motor Co.	Aug. 31	326,735	118,788	71,458	146,596	...	62,100	15	...	+ 9,358	456,774	127,492	25
Rubber													
Aboyne-Clyde	June 30	12,358	...	6,559	2,004	...	...	...	...	+ 6,559	5,444	Dr. 340	NH
Batu Kawan	Sept. 30	12,555	1,000	6,483	6,740	...	4,725	2½	1,500	...	5,444	3,632	1-87
Bah Lias	Oct. 31	60,643	10,000	39,799	34,108	...	38,018	27	...	+ 258	7,220	2,203	5
Buloh River	Sept. 30	10,834	...	3,136	3,865	...	3,063	6½	...	+ 1,783	57,363	26,232	NH
Langen (Java)	Aug. 31	9,810	...	5,768	16,945	...	6,250	5	...	- 492	5,943	4,541	4
Soomer Ajoie	Sept. 30	14,655	...	6,640	7,419	...	4,842	6½	1,000	...	6,546	3,475	4½
Shops and Stores													
British Home Stores	Dec. 31	179,063	27,095	63,765	70,508	16,100	19,406	25	20,000	+ 8,259	130,449	52,623	25
Home and Colonial Stores	Jan. 4	257,011	59,874	142,137	351,000	143,752	37,500	15(a)	...	- 39,115	446,887	321,941	6(b)
Trusts													
Edinburgh Invest. Trust	Mar. 15	128,162	...	64,848	311,507	15,975	37,867	10	...	+ 11,006	120,628	73,199	10
Redeemable Securities, &c.	Dec. 31	19,273	...	13,506	20,750	12,000	2,487	...	...	- 981	20,283	14,142	1
Other Companies													
Alpha Cement Ltd.	Dec. 31	315,683	125,000	140,845	179,011	44,137	96,250	8½	...	+ 458	324,650	149,748	15
Associated Portland Cem't	Dec. 31	1,200,548	417,150	539,648	752,828	137,500	400,000	10	...	+ 2,148	1,402,925	741,981	10
Bernard (T. & J.)	Jan. 31	18,357	...	18,357	28,224	8,750	7,500	10½	2,000	+ 1,009	19,427	18,445	8½
Betts & Co.	Dec. 31	42,623	5,932	16,609	24,978	15,000	747	...	...	+ 1,009	33,149	16,845	17
British Oxygen	Dec. 31	1,264,944	...	355,469	395,727	40,156	312,364	15	...	+ 6,051	883,961	428,388	10
British Portland Cement	Dec. 31	734,816	260,000	452,641	673,200	100,800	350,000	17½	...	+ 1,841	823,606	541,387	20
Brown & Eagle	Dec. 31	44,952	...	27,724	33,602	6,250	15,000	10	5,000	+ 1,474	47,266	30,145	25
Davis & Timmins	Dec. 31	105,590	...	48,252	69,133	6,500	27,000	30	...	+ 14,752	68,733	39,525	4
Dunlop Floorcloth	Jan. 31	7,470	...	4,661	4,820	1,104	1,328	2½	...	+ 2,229	12,763	5,450	12½
King Line Ltd.	Dec. 31	97,819	...	63,112	142,039	...	35,937	12½	25,000	+ 2,175	76,692	72,767	10½
McIntyre, Hogg, Marsh	Nov. 30	31,504	...	27,000	80,011	24,900	10	...	...	+ 2,100	30,067	25,219	10
Beyrolle (A.) & Co.	Dec. 31	249,844	66,640	103,471	316,109	7,175	102,089	12½	60,000	+ 207	241,419	162,213	7½
Rugby Portland Cement	Dec. 31	123,676	49,217	47,794	98,430	18,000	22,500	7½	...	+ 7,294	122,118	55,810	7½
Scott's Restaurant	Dec. 31	13,378	...	2,405	23,692	2,875	...	...	...	- 380	18,363	6,565	10
Slough Estates	Dec. 31	186,929	...	100,774	185,208	63,393	15	20,000	+ 17,381	162,222	90,360	10	
Talismanors Ltd.	Dec. 31	50,025	...	22,417	25,867	9,278	...	15,000	...	+ 1,861	46,922	23,811	10
Travancore Tea	Sept. 30	44,122	3,000	16,788	19,989	5,823	10,650	10	...	+ 315	33,373	14,635	10
Tucker (Duncan)	Dec. 31	7,179	...	7,179	8,709	...	...	...	...	+ 759	17,087	14,217	NH
United Glass Bottle	Dec. 31	537,789	...	177,155	218,251	51,808	77,075	12	25,000	+ 23,272	456,053	195,093	12
Valor Co.	Dec. 31	127,836	13,232	23,189	26,701	21,563	15	...	...	+ 1,626	114,410	37,622	15
Waxed Papers	Dec. 31	80,242	...	32,061	52,737	11,608	15,106	20	7,000	+ 1,653	44,965	32,681	17
Totals ('000's)													
Week to April 12, 1941	32	6,416	1,157	2,711	4,410	649	1,814	...	181	+ 67	6,250	3,331	...
Jan. 1 to April 12, 1941	531	114,319	7,733	57,698	88,955	11,819	38,367	...	5,345	+ 2,167	109,077	64,007	...

† Free of income tax.

(a) 15% Cumulative Ordinary. Nil on ordinary shares.

(b) Paid on Ordinary shares.

EXCHANGE RATES (Monthly Tables)

The following rates, issued by Bank of London and South America, are related to U.S. \$; approximate sterling rates can be calculated from £-£ rate.

CENTRAL AND SOUTH AMERICA	
Colombia.*	Sight selling rate 175-50 pesos per 100 U.S. \$ on March 4th.
Ecuador.*	Sight selling rate 15-00 sucres per U.S. \$ on Feb. 28th.
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 5.54½ cordobas per U.S. \$ (incl. 10 per cent. tax), Jan. 1, 1941.
El Salvador.	Sight selling rate New York was 2-40½ colones per \$ on Feb. 28th.
Venezuela.*	Sight selling rate New York 3-19 bolivars per U.S. \$ since April 27, 1937.

* Exchange controls are operative in these countries.

OVERSEAS BANK RATES

Changed From To				Changed From To			
		%			%		
Amsterdam	Aug. 28, '39	2	8	Madrid	July 15, '35	6	4
Athens	Jan. 4, '37	7	0	Montreal	Mar. 11, '35	...	2½
Batavia	Jan. 14, '37	3	0	Olejo	May 12, '40	4½	2
Belgrade	Feb. 1, '35	6½	5	Paris	Jan. 3, '39	2½	2
Berlin	April, '40	4	3½	Pretoria	May 15, '33	4	4
Brussels	Jan. 25, '40	2½	2	Tallinn	Oct. 1, '35	4	4
Bucharest	Sept. 17, '40	3½	3	Riga	Feb. 17, '40	4½	5a
Budapest	Oct. 22, '40	4	3	Rio de Janeiro	May 31, '35	...	3½
Calcutta	Nov. 28, '35	8½	3	Rome	May 18, '36	5	4½
Chile	June 13, '35	6½	4½	Stockholm	May 17, '40	3	5½
Copenhagen	Oct. 15, '40	4½	4	Zurich	Nov. 25, '36	2	1
Helsingfors	Dec. 3, '34	4	4	Tokio	Mar. 11, '38	3-285	3-40
Kyovo	May 14, '39	5	7	Wellington	May 27, '40	3	2
Lisbon	Mar. 31, '41	4½	4	Dublin	Oct. 26, '39	4	3
N.Y. Fed. Res.	Aug. 26, '37	1½	1				

(a) For banks and credit institutions.

(b) For private persons and firms.

TRANSVAAL GOLD OUTPUT

Statistics for March, 1941 (on basis of £8 8s. 0d. per fine ounce)

Mine and Group				Mine and Group				Mine and Group							
Tons Milled	Value or Output	Profit	Working Costs per fine oz.	Tons Milled	Value or Output	Profit	Working Costs per fine oz.	Tons Milled	Value or Output	Profit	Working Costs per fine oz.				
				<i>Cent. Mng.-Rand M.</i>				<i>"Johnnies"</i>							
<i>Anglo-Amer. Corp.</i>				<i>—cont.</i>	<i>Fine ozs</i>	<i>£</i>	<i>s. d.</i>			<i>£</i>	<i>s. d.</i>				
Brakpan	140,000	260,128	100,005	103	5-7			E. Champ D'Or	34,000	72,524	38,025	80	3		
Daggafontein	164,000	388,958	227,504	69	9-3			Gov. Areas	265,000	427,254	170,160	101	10		
East Daggafontein	78,000	172,039	69,503	100	2-3			Langlaagte	120,000	134,584	9,126	158	7		
S. African Land	117,000	269,715	152,275	73	2-2			N. State Areas	124,000	245,343	120,295	88	4		
Springs	185,000	374,805	197,009	79	8-9			Randfontein	400,000	485,079	140,152	120	6		
West Springs	90,000	162,380	60,003	105	11-7			Van Ryn Deep	105,000	127,047	26,034	134	5		
				<i>Gen. Mining</i>				<i>Witwatersrand</i>							
<i>Cent. Mng.-Rand M.</i>				Van Ryn Gold	63,000	60,158	8,008	149	10						
City Deep	115,000	28,223	74,455	111	3			W. Rand Cons.	240,000	372,970	161,034	98	5		
Cona. Main Reef	215,000	33,602	66,531	123	8			<i>Goldfields</i>							
Crown Mines	350,000	81,026	293,203	95	10			<i>Fine ozs</i>							
Durban Deep	201,000	36,787	104,437	111	3			115,000	22,220	53,725	119	9-5			
E. Hand Prop.	225,000	46,520	125,252	114	5			Venterspost	29,074	60,737	113	9-7			
Geldenhuis	10,000	3,094	15,350	134	3			Simmer and Jack	131,500	62,106	102	6			
Glyn's Lydenburg	71,500	9,947	8,253	114	9			Robinson Deep	66,500	23,090	56	3			
Modder B.	93,000	15,781	61,473	90	10			Sub Nigel	66,500	42,023	63,369	104	3-5		
Modder East	136,000	22,705	79,036	98	6			Vogelstruismt.	76,000	19,723	63,369	104	3-5		
				<i>Goldfields</i>				<i>Union Corp.</i>							
				Rietfontein	30,000	5,446	16,284	108	3	Geduld	161,000	46,287	255,860	57	6
				Lulupaards Vlei	86,500	18,263	45,678	118	6-9	Groveton	116,000	27,608	119,079	81	4
								<i>Fine ozs</i>							
								Marievale	121,000	31,419	124,738	88	8		
								Modder Deep	49,400	12,983	35,171	114	7		
								Van Dyk	97,000	25,184	82,983	102	3		

BRITISH WHOLESALE PRICES

		Apr. 1, 1941	Apr. 8, 1941			Apr. 1, 1941	Apr. 8, 1941
CEREALS AND MEAT				MISCELLANEOUS			
GRAIN, etc.				CEMENT , best Eng. Portland, d/d site, London area, in paper bags or jute sacks 20 to ton—(a).			
Wheat.....	s. d.	s. d.	s. d.	4-ton loads and upwards per ton	49 6	49 6	
No. 1, N. Mt. 496 lb. f.o.b. Mont	32 3	32 2	32 2	CHEMICALS —			
Eng. Gaz. av. per cwt. (e)	14 8	14 7	14 7	Acid, Oxalic, net.....per ton	60/0/0	60/0/0	
Flour, per 280 lb.	25 6	25 6	25 6	Ammonia, Sulphate.....per ton	10/2/0	10/2/0	
Straight, d/d London	18 7	18 3	18 3	Nitrate of Soda.....per ton	13/10/0	13/10/0	
Barley, Eng. Gaz., av. per cwt.(e)	15 2	15 5	15 5	Potash, Sulphate.....per ton	Nom.	Nom.	
Oats (e)	10 6	10 6	10 6	Soda Bicarb.....per ton	11/0/0	11/0/0	
Maize, La Plata, 480 lb., f.o.b.	10 6	10 6	10 6	Soda Crystals.....per ton	5/0/0	5/0/0	
					5/5/0	5/5/0	
MEAT —Beef, per 8 lb.—				COPIA (per ton)—S.D. Straits, c.i.f.....			
English long sides.....	4 8	4 8	4 8		12/10/0	12/10/0	
Imported hinds.....	5 4	5 4	5 4	HIDES (per lb.)—			
Mutton, per 8 lb.—English.....	4 4	4 4	4 4	Wet salted Austro-.....	s. d.	s. d.	
Imported.....	8 0	8 0	8 0	lian, Queensland } 40/50 lb.	0 5	0 5	
Pork, English, per 8 lb.	8 0	8 0	8 0	Cape, J'burg Ord.....	0 6	0 6	
BACON (per cwt.)—Wilts. cut side				Dry Capes, 18/20 lb.....	0 7	0 7	
HAMS (per cwt.)—Green.....				English & Welsh Market Hides.....	0 6	0 6	
				Best heavy ox and haffer.....	0 8	0 8	
					0 8	0 8	
OTHER FOODS				LEATHER (per lb.)—			
BUTTER (per cwt.)—All Grades	143 0	143 0	143 0	Sole Benda, 8/14 lb.....	2 4	2 0	
CHEESE (per cwt.)—					4 4	4 0	
Home Produced.....	99 2	99 2	99 2	Shoulders.....	1 2	1 0	
Imported.....	99 2	99 2	99 2		2 4	2 2	
COCOA (per cwt.)—				Insole Belles.....	0 7	0 7	
Accra, g.f.....	45 0	45 0	45 0		1 3	1 3	
Granada.....	Nom.	Nom.	Nom.	Dressing Hides.....	2 6	2 6	
COFFEE (per cwt.)—				PETROLEUM PRODUCTS (per gal.)			
Santos sup. c. & f.....	Nom.	Nom.	Nom.	Motor Spirit, England & Wales.....	1 9	1 9	
Costa Rica, medium to good.....	120 0	110 0	110 0	(b) Kerosene, Burning Oil.....	0 11	0 11	
EGGS (per 120)—English.....	25 0	25 0	25 0	Vaporising Oil.....	0 11	0 11	
LARD (per cwt.)—Imported.....	64 0	64 0	64 0	(b) Automotive gas oil, in bulk, ex road tank waggons.....	1 6	1 6	
POTATOES (per cwt.)—				Fuel oil, in bulk, ex instal.			
English, King Edward.....	7 0	7 0	7 0	Thames.....	0 7	0 7	
SUGAR (per cwt.)—				Puracac.....	0 8	0 8	
Centrifugals, 96% prpt. shipm. c.i.f. U.K./Cont.....	7 6	7 6	7 6	Diesel.....	0 7	0 7	
REFINED LONDON—				ROSIN (per ton)—American.....			
Granulated, 2 cwt. bags.....	40 6	40 6	40 6		25/0/0	25/0/0	
Granulated, 2 cwt. bags, domestic consumption.....	31 2	31 2	31 2	RUBBER (per lb.)—	30/0/0	30/0/0	
West India Crystallised.....	41 6	41 6	41 6	St. ribbed smoked sheet.....	1 2	1 2	
TOBACCO (per lb.)—				SHELLAC (per ton)—TN Orange.....			
Indian, stemmed and unstemmed.....	0 7	0 7	0 7		102/10/0	102/10/0	
Rhodesian, stemmed and unstemmed.....	0 10	0 10	0 10	TALLOW (per cwt.)—London Town.....	22 10	22 10	
	2 0	2 0	2 0	VEGETABLE OILS (per ton net)—			
TEXTILES				Linseed, raw.....	41/10/0	41/10/0	
COTTON (per lb.)—	d.	d.	d.	Rape, crude.....	44/5/0	44/5/0	
Raw, Mid-American.....	9-24	9-24	9-24	Cotton-seed, crude.....	31/2/6	31/2/6	
Giza, F.G.F.....	12-05	12-05	12-05	Coconut, crude.....	28/2/6	28/2/6	
Yarns, 32's Twist.....	16-81	16-81	16-81	Palm.....	20/15/0	20/15/0	
40's Weft.....	18-12	18-12	18-12	Oil Cakes, Linseed, Indian.....	7/15/0	7/15/0	
60's Twist (Egyptian).....	25-05	25-05	25-05	Oil Seeds, Linseed.....			
32 in. Printers, 116 yds.....	s. d.	s. d.	s. d.	La Plata (new).....	11/6/3	11/6/3	
	26 3	26 3	26 3	Calcutta.....	18/11/3	18/11/3	
COTTON—continued.							
Cloth, 36 in. Shirtings, 75 yds., 19 x 19, 32's & 40's.....	38 0	38 0	38 0				
" 38 in. ditto, 38 yds., 18 x 16, 10 lb.....	12 2	14 2	14 2				
" 39 in. ditto, 37½ yds., 16 x 15, 8½ lb.....	13 1	13 1	13 1				
FLAX (per ton)—				£ s. d.	£ s. d.	£ s. d.	£ s. d.
Livonian ZK.....	Nom.	Nom.	Nom.				
Pernau HD.....	Nom.	Nom.	Nom.				
HEMP (per ton)—Manilla, spot "J2".....				26 0 0	26 0 0		
JUTE (per ton)—							
Daisee 2/3, c.i.f. Dundee, Nov.-Dec. (new).....							
Common 8 lb. cops. (per spindle) 10½/40 Hessians, per yd.....							
8/40 Hessians, per yd.....							
Sisal (per ton)—African, Apr.-June—No. 1.....				£ s. d.	£ s. d.		
WOOL (per lb.)—				s. d.	d.		
Lincoln wethers, washed.....	19½	19½	19½				
Selected blackfaced, greasy.....	14 1	14 1	14 1				
Australian scud fleece, 70's.....	37	37	37				
Cape scrd. average snow white N.Z. scrd. 2nd pieces, 50-56's.....	39½	39½	39½				
Tops.....	24	24	24				
64's warp.....	45	45	45				
56's super carded.....	39	39	39				
48's average carded.....	31	31	31				
44's prepared.....	29½	29½	29½				
MINERALS							
GOAL (per ton)—				s. d.	s. d.		
Welsh, best Admiralty.....	31 7	31 7	31 7				
Durham, best gas, f.o.b. Tyne.....	22 4	22 4	22 4				
IRON AND STEEL (per ton)—				27 0	27 0		
Pig, Cleveland No. 3, d/d.....	128 0	128 0	128 0				
Bars, Middlebrough.....	312 6	312 6	312 6				
Steel rails, heavy.....	290 6	290 6	290 6				
Timplates (thoms. i.e. 14 x 20).....	29 9	29 9	29 9				
NON-FERROUS METALS (per ton)—				62 0 0	62 0 0		
Copper (c)—Electrolytic.....	270 0 0	268 10 0	268 10 0				
Tin—Standard cash.....	270 5 0	269 0 0	269 0 0				
Three months.....	266 15 0	265 15 7	265 15 7				
Lead (d)—Soft, foreign, cash.....	267 0 0	266 0 0	266 0 0				
Spelter (d)—G.O., spot.....	25 0 0	25 0 0	25 0 0				
Aluminium, ingots and bars.....	25 15 0	25 15 0	25 15 0				
Nickel, home delivery.....	110 0 0	110 0 0	110 0 0				
Antimony, Chinese.....	190 0 0	190 0 0	190 0 0				
Wolfram, Empire..... per unit	195 0 0	195 0 0	195 0 0				
Platinum, refined..... per oz.	85 0 0	85 0 0	85 0 0				
Quicksilver..... per 76 lb.	2 10 0	2 10 0	2 10 0				
	9 0 0	9 0 0	9 0 0				
	48 0 0	48 0 0	48 0 0				
	50 0 0	50 0 0	50 0 0				
	s. d.	s. d.	s. d.				
GOLD, per fine ounce.....	168 0	168 0	168 0				
SILVER (per ounce)—							
Cash.....	1 11½	1 11½	1 11½				

REFUGE

ASSURANCE COMPANY LIMITED

Chief Office: Oxford Street, Manchester, 1.

Summary of Directors' Report for the year ended 31st December, 1940.

Total Income for the year, £13,192,498.

Total Assets at end of the year, £74,606,552.

Total Claims Paid in the year, £8,162,981. The Company has paid £133,337,630, in claims since its establishment.

The Total Assurances existing on December 31st, 1940, amounted to £82,055,091 in the Ordinary Branch and £118,099,919 in the Industrial Branch.

Ordinary Branch: Bonus of £1 per cent. for 1939 and 1940 declared on participating policies which become claims during the ensuing year. Surplus carried forward is £1,273,235.

Industrial Branch: £400,000 Profits allocated to Policyholders.

J. WILCOCK HOLGATE,
Chairman.

NOW READY

Published February 27, 1941.

55th Year

Containing detailed and more up-to-date information than any other book of reference

MINING YEAR BOOK 1941

COMPILED BY WALTER E. SKINNER

Price Twenty Shillings net.

Post free (Inland), 20s. 6d. Post free (Abroad), 21s. 6d.
860 pages. In Demy 8vo, bound in RED Cloth.

THE BOOK IS INVALUABLE TO EVERYBODY INTERESTED IN THE MINING INDUSTRY. ITS CONTENTS COMPRISING COMPLETE, UP-TO-DATE AND RELIABLE PARTICULARS CONCERNING 975 OF THE PRINCIPAL MINING COMPANIES OF THE WORLD.

Gold, Silver, Copper, Tin, Lead, Zinc, Diamond, and other Mines, Collieries, Exploration and Mining Finance Companies, arranged in alphabetical order.

PARTICULARS given of each Company include the Directors and other officials; date of establishment; seat of operations; description of property; plant erected or in course of erection; present working results; ore reserves; details of capital; dividends paid; and the financial position as disclosed by the latest accounts. Highest and lowest prices of the shares for the last three years; also latest price.

Directors (2,965) and Mining Engineers and Mine Managers (1,035), and their addresses and names of the Companies with which they are connected.

OBTAINABLE from all Booksellers,
or direct from the Publishers,

WALTER E. SKINNER, 15 Dowgate Hill, London, E.C.4,
AND
"FINANCIAL TIMES," 72 Coleman Street, London, E.C.2.

THE SOUTH AFRICAN JOURNAL OF ECONOMICS

(Published Quarterly for the Council of the Economic Society of South Africa)

Editors:

S. HERBERT FRANKEL R. LESLIE
Joint (Business) Editor: C. S. RICHARDS

Price: Six Shillings.

Approx. 100 pages.

CONTENTS OF VOL. 8, No. 4 DECEMBER, 1940

SPECIAL "WAR" NUMBER
SOME ECONOMIC AND ADMINISTRATIVE ASPECTS OF SOUTH AFRICA'S WAR EFFORT.

Prof. C. S. Richards

PROBLEMS OF RESOURCE TRANSFER IN WAR:

1. THE WAR AND THE BUDGET
J. N. Reedman and P. H. Guénault
2. EXCHANGE POLICY AND IMPORT CONTROL
J. N. Reedman
3. LABOUR SUPPLY
P. H. Guénault
4. PRICE CONTROL IN WARTIME
Prof. H. R. Burrows, I. G. Halliday and R. H. Smith.

THE WAR AND ITS EFFECT ON AGRICULTURAL PRICES AND SURPLUSES IN SOUTH AFRICA.

S. D. Neumark

STATE AND PRIVATE PROVISIONS FOR SOLDIERS' DEPENDANTS
Miss H. P. Pollak

Reviews: Union Official Publications: Recent Periodicals and New Books: Notes and Memoranda.

SINGLE COPIES at 6s. PER COPY. OBTAINABLE FROM THE CENTRAL NEWS AGENCY, LTD., AND ALL LEADING BOOKSELLERS—ORDERS FOR THIS SPECIAL "WAR" NUMBER (APPROX. 130 PAGES) SHOULD BE HANDED IMMEDIATELY TO THE CENTRAL NEWS AGENCY, LTD.

Overseas Agents for Subscriptions (£1 1s. 6d. per annum) and Single Copies (6s. each), Messrs. P. S. KING & SON, LTD., Orchard House, 14 Great Smith Street, Westminster London, S.W.1.

THE ECONOMIST

Vol. CXL

APRIL 19, 1941

No. 5095

CONTENTS

LEADING ARTICLES

- Five Fronts 513
- Evacuation and War Work 515
- The New Order 516

NOTES OF THE WEEK

- The Battle for Egypt 517
- The Balkan Front 517
- The Shopkeeper Army 517
- Waiting for Mr Bevin 518
- Direct Taxation 518
- The Russo-Japanese Pact 518
- Rearmament Organisation in America 519
- Atlantic Casualties 519
- On the Busy Banks of Clyde 519
- Peace Aims 519
- Those Who Live in Glass Houses 520
- Conscientious Objectors — New Position 520
- No Consciences for Women 520
- South America and the War 520
- Vegetables for Sale 521
- The Need for More Coal 521
- Military Status 521
- Incomes and Needs 522
- War Against Rheumatism 522
- Mr. Hoover's Case 522
- Shorter Notes 522

THE WORLD OVERSEAS

- Political Currents in Canada 523
- Norway's Anniversary 523
- Balkan Scarcities 525
- American Power Policy 525
- Palestine's Industrial Progress 526

BOOKS AND PUBLICATIONS

THE BUSINESS WORLD

LEADING ARTICLES

- Electric Power Companies 528
- The Torrent of Liquidity 529

FINANCE AND BANKING

- Where the Treasury Bills Have Gone 531
- Bill Rate Prospects 531
- Easter Circulation Record 531
- Treasury Bill Offer Raised Again 532

INSURANCE NOTES

- Refuge Assurance 532
- Wesleyan and General Assurance 532

INVESTMENT NOTES

- Marking Time 533
- Municipal Conversion Option 533

INVESTMENT NOTES—cont.

- Stock Exchange Finance 533
- Argentine Railway Outlook 534
- Cunard Results 534
- Alliance Trust Report 534
- Union Corporation Group 534
- Central Mining Results 535
- Maypole Dairy Meeting 535

THE STOCK EXCHANGES

CAPITAL ISSUES

SHORTER COMMENTS

INDUSTRY AND TRADE

- Unemployment in March 536
- Wages and the Cost of Living 536
- The Rise in Earnings 536
- War Workers' Welfare 537
- The Vegetable Marketing Company 538
- Manganese Ore and the War 538
- Dried Bananas 538

COMMODITY AND INDUSTRY NEWS

COMPANY MEETING

CURRENT STATISTICS

Five Fronts

THE spring campaigns have opened. Before the people of this country lie six grim months during which every resource of Germany's arms and propaganda will be devoted to crushing their resistance. For one more year the problem of Britain is not how to win the war but how not to lose it. Germany still enjoys a great preponderance of manpower and military equipment; the initiative still rests with the German General Staff; the conquest of Europe has put out in all directions from its strong compact defences. Against these advantages, Britain has, so far, only three to set—the promise of American help, the proved superiority of the RAF, and the ubiquity of British seapower. The winter victories have perhaps given the country the feeling of having turned the corner. It is a false feeling. The corner is barely in sight.

Goebbels has promised Great Britain a war on five fronts. Four at least are obvious. There is warfare in the Balkans and in North Africa. The Far East would soon blaze up if the Nazis had their way. The fourth front is, of course, the Battle for Britain, of which the first round was fought last autumn and which is for the time being focused on the Atlantic lifeline. On the other fronts Great Britain can lose battles and even armies. On the Atlantic front, the war itself can be lost.

On the two Near Eastern fronts, Balkan and African, it was doubtful at first which was the main thrust, the drive to Salonika or the sudden appearance of German mechanised columns outside Benghazi. It is now obvious that the North African situation is by far the more serious. While it is of crucial importance that

Britain and its Allies should keep a foothold on the Continent of Europe, the Balkan campaign is necessarily a side-show in the grand strategy of the war. The campaign itself, ultimately victorious or not, has already done its work in disturbing the fields, factories, railways and rivers of the Balkans, which play such an important part in Hitler's supply system. It is perhaps unfortunate that an apparent lack of long-distance bombers has prevented the Allies from doing more widespread damage; but there may be no harvest in Yugoslavia this year, the Jugoslavs have no doubt attended to the installations in their chrome and copper mines, and so long as the Balkan railways are carrying soldiers and equipment to the front, it is unlikely that there will be any great flow of foodstuffs and minerals to Germany.

There is only one guise in which the outcome of the Balkan war will affect non-Balkan countries. If the Germans were to end all resistance in Greece, it would release more men for the pressure campaign against Turkey. But the fate of Turkey probably depends, not on the Balkan war, but on the outcome of the North African battle. Here the threat is not only to Egypt but to the Canal Zone, to Palestine and to the oil lands of the Middle East. It seems clear that the British under-estimated the strength of the force the Germans could land by plane and ship in Libya. Nevertheless, the risk has to be taken if Greece was to be reinforced, and the speed with which the Germans have re-occupied Cyrenaica—with a British loss so far of only 2,000 prisoners—indicates the extent to which, even including the strong garrison at Tobruk, the British forces were reduced.

We have to admit that, given the weight, enterprise

and mobility of the German columns, a further advance is not impossible; but there are factors working against the Germans. Egypt is far more heavily garrisoned than was Cyrenaica, and men and materials have been set free by the collapse in Abyssinia. The British people have become healthily distrustful about the disadvantage to the German army of lengthening its lines of communications and the corresponding advantage gained by the British in shortening theirs. Nevertheless, communications and stores in Libya do present a very difficult problem. Even water must be carried, and while the British are retiring towards their rail-head at Mersa Matruh, the Germans have behind them mile upon mile of desert on which will shortly descend the torrid fury of an African summer.

The main German object is clearly to bring the Balkan and the North African fronts together into one Middle Eastern campaign. The ground has been prepared by the Rashid Ali coup in Iraq, and Syria is full of the same inflammable material of pan-Arabism and anti-Imperialism. To German troops advancing from the Balkans, both Turkey, with its army intact and



still some traces of fighting spirit left, and the impossible terrain of Anatolia would offer serious difficulties. But if the main weight of the attack were coming from Egypt, the Germans might well attempt an air-borne invasion of Syria and Iraq; the conditions prevailing in both countries are far from unfavourable.

The Far Eastern front is probably not so menacing as the Germans would have their enemies believe. If fear of Russia had been the operative factor in discouraging Japan from bringing its conception of a "sphere of co-prosperity" into the firing-line, then the Pact with Russia might have been the prelude to warfare. But it is British reinforcements at Singapore, the potential combination of British, Dutch, Australian and United States Pacific navies, and Japan's great economic dependence upon the United States that were, and still are, the real deterrents. It is difficult to see how the new Pact can affect any of these factors. However, if the new agreement is not a signal for war, it is a signal for a war of nerves. If Japan, by threatening a southward advance, can draw off vital British reserves and keep the United States preoccupied. Germany's purpose is served, and to this extent the Nazis are justified in claiming the Pact as a success for their diplomacy.

It is on the fourth front—the front of Britain and the Atlantic approaches—that a really decisive struggle is already joined. The factors favourable to Germany are obvious enough—control of air and submarine bases from Narvik to Bordeaux, the great strain on Britain's naval resources compared with the last war, in which Japan was an ally and the French navy was in the fight to the end, and the changed naval tactics of the Germans, who in this war are using their ships as commerce raiders and concentrating on combined bomber-submarine operations.

Against this can be set the help of the United States. Recently ten armed cutters were released for British use. More ships are to follow. Again, the decision to open the Red Sea to American shipping and the President's readiness to protect American merchant ships, will set free both tonnage and naval resources for the Atlantic route. Nevertheless, the whole situation remains extremely grave, and it is here that each citizen is a front-line fighter in the war against waste and extravagance. The home, or invasion, front is in all probability a function of the Atlantic struggle. The time to invade this country is after a campaign against its lifelines so successful that a starving and demoralised people is almost ready to sue for peace. In the same way, the bombing attacks on this country, which are now to a large extent directed systematically against the ports, are part of the attempt to destroy Britain's communications and vital imports. It is impossible to separate the Battle of Britain from the Battle of the Atlantic. Invasion is only a later stage in a campaign upon which Germany is already engaged.

If the threat of invasion does not constitute a separate front, we are left with the fifth front unallotted. Here, as in the Far East, it is only a question of potential fronts, and of these perhaps Gibraltar is the most likely. A move through Spain, coupled with an enforcement of Germany's existing control in Morocco, could have the effect of closing the Mediterranean and of completing Germany's conquest of the whole "arc" round Great Britain. Submarines and aircraft might then operate from bases as far out in the Atlantic as Dakar. Convoys coming from Australasia would be under Axis fire all up the coast of Africa. The Atlantic lifelines would be threatened from a new quarter. Unless the United States abandoned the policy of "combat zones," all direct contact between the Old and New Worlds would disappear.

It would be hard to believe that Hitler had overlooked so tempting an objective, and there are signs, especially in French and Spanish Morocco, that his plans are maturing fast. The German Disarmament Commission, acting in close co-operation with Darlan, is rapidly demobilising the army and undermining the authority of General Nogues and General Weygand. Its underground activities—support of the Moroccan Unity Party and of a rival claimant to the Sultanate—are creating a situation ripe for intervention and "protection." Germany's recent successes in Libya can only have strengthened the German position further west.

These, then, are the fronts on which the Nazis will wage deadly warfare throughout the coming summer. Their aim is to cut Great Britain off from its American sources of supply and to break British sea-power in the Atlantic, in the Mediterranean and the Far East. It is no coincidence that each of the fronts is aimed at straits or narrows where sea-power has least effect.—Dover, Gibraltar, the Dardanelles, Suez, Singapore. But of all these, it is on the Atlantic front that Britain must stake everything it has. Survival here is the essential preliminary to victory anywhere else. As Mr Churchill put it in the stirring peroration to his survey of the war delivered to the House last week:—

Once we have gained the Battle of the Atlantic and are certain of the constant flow of American supplies which has been prepared for us, then, however far Hitler may go or whatever new millions or scores of millions he may lap in misery, it is sure that, armed with the sword of retributive justice, we shall be on his track.

Evacuation and War Work

TO-DAY young women aged 20 are to create history by registering for national service, to be shortly followed by those aged 21. Now that Mr Bevin has successfully launched his man-power scheme and national registration of both men and women for employment in essential undertakings is under way, there is an opportunity to examine the position of evacuees. Official evacuation policy has throughout related only to certain priority classes of the population: to children of, or below, school age, accompanied or unaccompanied by their mothers; to the old and infirm; and to pregnant mothers. During last winter, however, and indeed until very recent weeks, advice and encouragement were devoted to an attempt to persuade all persons without essential ties to move out of the danger areas. A very considerable number did voluntarily remove themselves and, in many cases, children were accompanied by their mothers.

This policy has been materially affected by Mr Bevin's decision to set on foot the national registration of women for war work and to call upon all able-bodied citizens to volunteer for essential employment before their age groups are reached. The problem is no longer one of prevailing on unoccupied persons to live in districts where their presence does not impede the prosecution of the war: it is to eliminate the drones from society.

Most of the other problems of evacuation, chiefly social ones, have been discussed almost *ad nauseam*. Recently, the social and organisational problems were ably analysed in a report presented to the Minister of Health by a Committee under the chairmanship of Mr Geoffrey Shakespeare, M.P., and its recommendations were based upon considerable empirical evidence. Indeed, by now, such problems as the failure to provide cooking facilities, the London mother's partiality for fish and chips, the unpatriotic withholding of large mansions from billeting officers by a small number of wealthy people, and the strain upon the drains and sewers—all these have become almost commonplaces, and are receiving attention. The question which has not received much less attention, but which is certainly no less important, is that of how many evacuated persons have been removed from areas in which they had work into areas where they are not only unable to get work, but even need allowances to keep them.

It is true that priority classes recognised as suitable for evacuation include a majority for whom gainful employment is not possible, but the problem of work arises acutely in the case of mothers who accompany young children and children who have reached the school-leaving age. A very high proportion of working-class mothers normally continue to perform some type of money-earning service when their children are still quite young; and there is every reason to suppose that the nation is the poorer now for what is too often their enforced idleness in the country. The signatories of the Shakespeare Report appreciated this point from the social angle. "There is little doubt that regular work will do more than anything else to help the evacuated mother to settle down."

In addition, there are the unofficial evacuees known to the popular Press as "the good-time girls." In so far as the "girls" are outside the age groups so far affected by registration, insistent propaganda is needed to point out that their evacuation has no virtue and that their duty probably awaits them in some danger area. The fact is that the problems arising out of the evacuation of able-bodied adults are not easy to solve in isolation. If, however, they are considered in relation to another important redistribution of the population which is only

just beginning to gather force—that is, the mobilisation of additional workers to produce munitions—evacuation could be made considerably more profitable to the nation, in terms of labour, than it is now. The two movements are, in a sense, complementary. Mr Bevin's man-power scheme will require the transfer of workers from "safe" areas to "dangerous" areas. These transfers will leave many vacancies for small gardeners, domestic helps of all sorts, shop assistants and clerical workers in the areas where the evacuees have been received; and to consider evacuation and industrial mobilisation in separation, leaving their dovetailing to private initiative, may be needlessly wasteful. Labour—perhaps casual and part-time labour, but none the less labour—has been set free by the evacuation; and, as British labour as a whole becomes more fully mobilised, sound opportunities for the occupation of evacuees must occur.

But there is more than a problem of employment to be solved—for the evacuees themselves and for the whole community. The supply problems raised by sudden multiplication of the populations of smaller towns and villages are perhaps even harder to solve. One difficulty is the unstable nature of the swollen population. After a provincial town has been badly bombed, the neighbouring safe areas will be crowded out for a short time with a refugee population of daily workers who will travel up and down to work—if they can find any accommodation—until discomfort or a sense of returning security encourages them to brave the risks of the danger area again. It is clearly a matter of extreme difficulty to adapt the quotas of retailers' supplies to these very temporary shifts in the number of consumers to be served; and it is even a matter of some doubt whether this adjustment should be attempted at all. The relative plenty which, in bombed districts, may result from the temporary departure of residents is one of the few attractions to those sections of the population who are required to carry on in the national interest. On the other hand, something has to be done to bring supplies to "permanent" refugees; and it does seem likely that the adjustment of quotas to the presence of "permanents" has not been carried sufficiently far, since they are frequently discouraged and unsettled by local shortages.

The most fundamental question raised by evacuation is whether the balance of advantage, in dispersal and safety, outweighs the social friction and economic loss; and, on this point, it is even more difficult to give an unequivocal answer. As far as children and aged people are concerned, there is no doubt at all that evacuation is essential. Whether the evacuation of young able-bodied mothers is repaying either to them or to their country is much less certain. In so far as they are condemned to spend their days in homesick idleness, there seem to be strong grounds for believing that they would be better off at work somewhere, in some capacity, supposing that adequate care could be provided for their unaccompanied children. The matter is an individual and personal one, and there can be no cut and dried solution, the more so since Mr Bevin has very rightly decided that the mothers of small children are the last people who will be pressed into the factories. Much can be done by co-ordinating the solution to this problem with the general scheme for the productive use of all able-bodied men and women. No kind of evacuation should be allowed to cloak the responsibility of every citizen to labour for the cause; and it will be mere common-sense to bring them, with every sort of idler or wastefully employed person—dependent or independent—into the mobilisation scheme.

The New Order

HITLER occupied his first country in 1933. Germany fell to its Nazi conquerors and became the first field of experiment for Nazi economics. As we now know, their purpose was to create the greatest military machine of all time by subordinating all the processes of the community to the one purpose of creating the implements of war. The name coined for the new economy, *Wehrwirtschaft*, was a euphemism for the process of forging a ruthless instrument of aggressive power.

We are familiar with the methods. In the Labour Corps and in the fatigues of the concentration camp, forced labour returned. With the destruction of the Trade Unions went the workers' whole means of resistance and betterment. Longer hours were worked for smaller wages. The capitalist lost his substance through levies and taxes, or, in the case of political opponents and non-Aryans, by direct confiscation. And the whole community's reserves and savings were drawn into the armaments drive by the disappearance of many varieties of consumer goods and strict rationing of the others. Since nothing could be bought with the surplus, the citizen felt little compunction in lending his savings to the State. Even so, many loans were compulsory. A similar process was at work in Germany's pre-war foreign trade with weaker trading partners. The classic example is the Balkan market, from which Germany drained away real wealth—foodstuffs, raw materials—and settled the balance in unessential manufactures and obsolete arms.

It is the great merit of two or three recent and very valuable surveys* of conditions under the Nazis that they bring home the fact that "new order" is *Wehrwirtschaft* writ large. As Mr Wilson puts it, "The one and only German 'New Order' was born in 1933." Most of the methods are essentially the same. Forced labour has brought some two million workers from occupied territory into the Reich. Their status varies from the conditions of slavery endured by the Poles to the more privileged Dutch and Danish and Norwegian workers who appear to receive German rates of pay. Nevertheless, compulsion has almost invariably brought about the transfer, whether it is the direct registration for public works enforced in Poland and to a lesser extent in Czechoslovakia, or the fact that a worker's foodcard will depend upon his readiness to go to the Reich. Again, even when workers are not transferred from their own country, standards are deteriorating everywhere. Wages have been reduced in Norway by as much as 20 per cent, and a German newspaper stated quite frankly that in Denmark "the relation between living costs and wages which had been achieved by the Trade Unions has been abolished."

Exploitation by taxes, levies, forced loans and rationing is far more elaborate. Even the boldest outline of the methods employed by the Nazis gives an astonishing picture of the looters' ingenuity and science. There is, of course, direct confiscation at the expense of individuals—Jews, refugees, political suspects. In Holland this last category is generous enough, since it covers all who "have promoted, are promoting, or are likely to promote tendencies hostile to Germany." The confiscation of State property may well have been more rewarding. In Poland alone £600 million worth of ports, forests, and steel works have been swallowed up. The seizure of the gold and foreign exchange in occupied territory is another important item. Gold and State property alone must

amount to over £1,000 millions, total confiscations to thousands of millions more.

To confiscation must be added costs of occupation, taxes, forced loans and other expedients to the total of some £1,000 millions annually, and the various inflationary measures which have enabled Germany to cover a policy of straightforward plunder with a cloak of normal marketing. The old Balkan method has drained fats and grain and livestock and minerals from every occupied territory into the Reich, and to-day Germany is under an even lighter obligation than formerly to liquidate her debit balances. It is no longer even a question of mouth organs and aspirin. Payment can be made in devalued currency, or in German bonds, illusory claims on an equally illusory future.

Thus the methods of the "new order" are only the extension in space of the methods already perfected under *Wehrwirtschaft*. Nor is the immediate purpose of the "new order" very different from that of the old *Wehrwirtschaft*. The Nazis' aim is to keep intact the great German military machine; in other words, to gain the victory. It is a grim fact that Europe to-day is working to perpetuate its own enslavement and its contribution is anything but negligible. "Between a quarter and a sixth of the war effort being made and to be made against the Allies by Germany is probably the result of her conquests" and her current exploitation of them.

Beyond the immediate objective of a German victory, however, the shape of a permanent organisation of Europe is discernible. Just as *Wehrwirtschaft* was designed in the first place to ensure military power but at the same time to create the institutions and social pattern of the Nazi dictatorship, so the "new order" is not only a weapon for victory but a ground plan for a post-war organization in which the old hierarchy of exploitation will be preserved. The Germans are to be to Europe what the Nazis have already been to the Germans, a minority to whose interests the masses are ruthlessly subordinated.

The chief feature of the "new order" is the concentration of the Continent's industrial power inside the Reich. Of the principal industrial regions in Europe (excluding Great Britain and Russia) only Holland, Belgium, the Lyon zone in France, and Northern Italy lie outside the area already completely annexed to Germany, whose population includes 43 per cent of the Continent's industrial workers and only 19 per cent of the agriculturists. In the remainder of Continental Europe (excluding Russia) only 23 per cent of the population are engaged in industry, against 53 per cent in agriculture.

Germany's reasons are obvious enough. Average productivity per head—and therefore average income per head—is 60 to 100 per cent greater in industry than in agriculture, and a monopoly of heavy industry is also the best guarantee of a military dictatorship. Finally, with a monopoly of industrial output, the Nazis should be able to reduce the agricultural fringe of Europe to the level of colonial exploitation, fixing conditions of trade in the manner most advantageous to themselves, while their unified control of the Continent would put them into the strongest possible bargaining position with the outside world.

The realization of this grandiose plan of imperialism and servitude depends obviously on the outcome of the war. But even if it achieves its immediate objective of victory, the "new order" clearly has in it the seeds of perpetual conflict, wars without end. Europe itself would be unable to resist, short of a grand apostasy among the *Herrenvolk*. The creation of a fringe of agricultural states holds for the people of France, of Italy, above all of the South East,

a future of destitution in which there is no outlet in industry for the steady increase in population. And revolt does not spring from destitute peoples without arms.

It is in the wider sphere of Germany's relations with the outside world that the possibilities of conflict are legion. It may be argued that the resources of German Europe will be sufficient to maintain the master race in comfort and the subject peoples in working fettle. This is in itself doubtful. Many vital raw materials—among them oil—are not available in sufficient quantity, and Europe is only barely self-supporting in foodstuffs. For example, if dairy farming is to be restored on a large scale the fodder problem cannot be solved on a European basis alone. The Nazis, even if they content themselves with a moderate policy of sufficiency, will have to compete outside Europe for the supplies of the world. And there is nothing in their past history to suggest that moderation will content them for long.

Even if the most favourable outcome of this war from the German standpoint can be assumed, German Europe would be faced with the competition of the great industrial machines of the United States and Japan and the growing industrialism of Russia. The United States would not remain passive while the

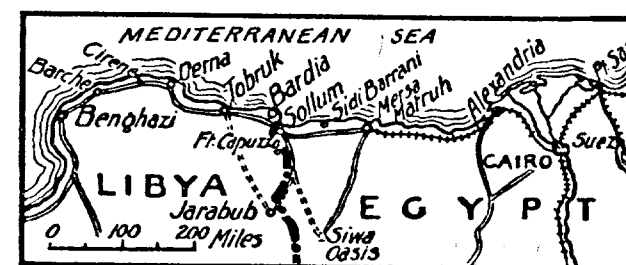
Nazis proceeded to the economic conquest of the Latin American States, whose need to dispose of surpluses of raw materials would give the Nazis an admirable bargaining counter. Germany's future relations with Russia and Japan would be equally hazardous. However far the Germans were to degrade the standards of Europe, it is doubtful if they could compete with the low labour costs of Soviet Russia and the Far East.

It seems, then, that if German Europe is to function as a world dominating force it must ultimately swallow its more distant neighbours as it has already swallowed its immediate competitors in Europe. And here again there is evidence that "new order" is only *Wehrwirtschaft* on an ampler scale. *Wehrwirtschaft* led inevitably to war, since the absorption of the vital supplies of the German people into armaments entailed the necessity of recouping the loss of these supplies at the expense of weaker States. But the conquest of Europe has not restored the equilibrium. Germany's war machine must still be fuelled and now the forays must be directed towards a wider ring of neighbours. This, then, even given a German victory or an Anglo-German truce, is the future of warfare to which Hitler has dedicated the German people.

NOTES OF THE WEEK

The Battle for Egypt

Imperial troops conquered Cyrenaica in two months. The Germans retook it in about ten days. At first glance this appears to be a tremendous indictment of British dilatoriness or else an equally tremendous tribute to German drive and efficiency. The time taken is less significant than the number of prisoners captured. During the British advance 150,000 Italians fell to the advancing army. The Germans have captured only 2,000. In other words, the British advance was resisted by a



powerful army, whereas the Germans had only to face small garrisons and light covering troops. In spite of the original speed of the advance, there are signs that it is slowing down. Fighting still continues in the Sollum area, although it appears likely that the main British stand will be made round Mersa Matruh, where there is good water and a defence system 60 miles deep. The advantage of choosing a line so far back in Egypt is, of course, that the maximum strain will be put on the German lines of communication and the German commissariat will be faced with a maximum problem in the bringing up of vital supplies such as petrol and water. German reinforcements have first to negotiate the sea passage from Europe to Libya, and although much has undoubtedly slipped through, the sensational sinking on April 15th of a whole convoy—of 5 supply ships and 3 destroyers—with the loss to the British Navy of only one destroyer is a reminder of the hazards German convoys must run. When landed, the supplies must be brought up over bad roads and waterless desert, under the constant threat of air attack and, as the news from Sollum shows, of bombardment from the sea. It may be part of the British plan to hold Tobruk in force, reinforcing and re-equipping it from the sea. If such a stand were possible it would certainly have an inhibiting effect upon German strategy in the forward zone, and a few well-executed sorties might cause those in charge of reserves and reinforcements considerable embarrassment. Reports that German troops and

light tanks have been landed by plane at Kufra, in preparation for a drive against Khartoum or the Assuan Dam, are in keeping with previous evidence of Germany's ingenuity and audacity, and it is fortunate that complete collapse in Abyssinia has come in time to permit the despatch of reinforcements to the Sudan and to the battlefield in northern Egypt. The Duke of Aosta has at last sent a delegate to arrange the terms of his surrender. The diversion of men and materials to other fronts can therefore begin at once.

* * *

The Balkan Front

The news from the Balkans is as confused as the battle that is raging there. In Yugoslavia, organised resistance has ceased, although fighting will probably still continue in the mountains of Bosnia, Montenegro and South Serbia. There has been no official capitulation. It is rather that the German Army's deep thrusts to Sarajevo, Skopje and the Albanian frontier divided the Yugoslav forces and destroyed all communication between them. The Yugoslavs have fought bravely, and for some days the enemy was held beyond Nis and Skopje, but their courage was no match for Germany's weight of machines. The campaign as a whole is yet another illustration of the tragic insufficiency of small Power defences among the industrialised Titans of the modern world. Germany's plans for Yugoslavia are already taking shape. An "independent" Croatia has been set up under the anti-Serb Ustasi terrorist, Dr Ante Pavelitch. Dalmatia will probably be given to Italy, and there is talk of an independent Montenegro. The Hungarians are claiming the Novisad area, the Bulgarians have broken off diplomatic relations as a prelude no doubt to claiming Serbian Macedonia. Those who argue that the Yugoslavs could have purchased territorial integrity by submission forget the fate of Czechoslovakia and Rumania, both quiescent and both dismembered. Further south, on the Greek front, the Germans are gradually pushing back the Anglo-Greek forces, but resistance is strong and the defenders are taking a heavy toll of the invading army.

* * *

The Shopkeeper Army

It now appears, from the speech of the Parliamentary Secretary to the Board of Trade in the Commons last week, that the Government has no intention at

* *Europe Under Hitler*. The Royal Institute of International Affairs (Oxford University Press. 6d.). *Germany's "New Order"*. Duncan Wilson. (O.U.P. 8d.) *Hitler's "New Order" in Europe*. Paul Einzig. (Macmillan. 7s. 6d.)

present of organising the "slimming" of retail distribution. Captain Waterhouse spoke in familiar accents: "The Board of Trade is prepared to lead, but it cannot lead along a path for which the country is not ready"; the necessity has not yet arisen. He admitted that the limitation of supplies to retailers was now making inroads on their turnover. He suggested that many small shopkeepers, unable to raise prices to cover their losses, might sell out, invest the proceeds in Government securities and go into war work; and he admitted that it would be possible for groups of larger stores to concentrate their businesses in one set of premises—just as it would be possible, in fact, for groups of quite small shops, butchers, bakers, dairies, grocers and so on, serving the same narrow locality, to do the same. But the Government could take no responsibility either for individual hardship or for the way in which retail trade adjusted itself to the straitened circumstances. Here, as in the case of industry (wholly for a long time and partially still) the Government has no single policy on the concentration of activities and the complementary problem of compensation taken together. It is, of course, true that retail trade is very different from the industries to be telescoped under Government supervision. But the wartime need to set free the largest possible proportion of its millions of workers is especially pressing in the case of retailing—which is peculiarly divided, with great sharpness, between the essential task of furnishing necessities and the otiose function of providing goods and services which could well be spared. There is a notable pool of labour for war work in the retail trades, and the Government's policy, which looks at this problem simply as a question of material supplies, and not of labour, is simply to let retailing shrink haphazard without reference to the numbers of workers set free; indeed, the Schedule of Reserved Occupations for women, together with official utterances about the role of shop assistants in national morale, suggest that the maintenance of as much employment as possible in retailing is regarded as desirable. This is dangerous, slipshod doctrine. The plea of Mr. Butcher in the Commons that to shut down the chain stores would release more labour and floor space for the war effort than any other means may or may not be correct. But this approach is the right one. The purpose of cutting down non-essential occupations is to release all forms of resources for the war, not simply materials; and when the Government regards this problem in retail trade—as they did the parallel problem in industry for over six months—as one merely of thinning the flow of supplies, it is entirely overlooked that the material of which there is now most need is man power.

* * *

Waiting for Mr Bevin

Last week's Budget was a prologue. It remains, not only to collect the cash, but to stabilise prices—and eke out fairly, by physical and financial means, the "ration" of consumption that is to be allowed. The price of labour is wages. Between October, 1938, and July, 1940, according to the Ministry of Labour, wage rates rose 10 per cent on the average, but earnings rose 30 per cent, and according to the White Paper published last week the national wages bill (including military pay, which is generally lower than civilian earnings) was 36 per cent higher in 1940 than it was in 1938. The advance is uneven. While financial and budgetary stability is menaced by this swelling tide of purchasing power, when the supply of goods to purchase is dwindling, there are low-paid and ill-organised workers, people with fixed incomes, various classes of State-helped dependents, and households of many children who have fared quite otherwise; and it is probably a pity that the one item of the so-called Keynes plan, which found no echo in Sir Kingsley Wood's Budget, was family allowances. Mr. Bevin has gone on record as saying that he does not care what workers earn so long as they do the job. Under the Essential Work Orders, which prevent workers from being dismissed or retiring, in return for a guaranteed minimum weekly wage, they may be paid whether they are working or not—if the dock is empty, the pit idle or work in the shipyard held up. There will be no dissent from the principle that if a man is forbidden to withhold his labour he should be assured fair pay; and the application of the Order to, say, protected Government contractors will stop the poaching that still goes on. But the need for a comprehensive wages policy is even more urgent than it was.

Direct Taxation

The full implications of a ten shilling income tax are only slowly dawning on the taxpaying public. Sir Kingsley Wood mentioned in his Budget speech the remarkable fact that to enjoy a net income of £5,000 a year a gross income of £66,000 is required. Study of the tables of incidence published in the Financial Statement shows that, in effect, a maximum limit to net income has been imposed. To secure a net income of £2,000 needs a gross income of rather over £4,000 (the exact excess depending on the personal circumstances of the taxpayer); in 1937-38 there were about 35,000 incomes of this or larger amount. A net income of £3,000 requires a gross income of about £9,000—there are less than 10,000 people who can reach this level. The next step, to a net income of £4,000, requires a gross income of almost £30,000, of which there are only about 1,000. Out of a gross income of £100,000, rather less than £6,000 is left, while the rise to £150,000 gross contributes only £1,150 net. The upshot of these figures is that there is an effective limit to net income at about £4,000 per annum; only a few hundred persons can penetrate above this limit and the highest net income in the country cannot be more than about £7,000. (Moreover, if the income comes from investment, any provision for death duties must come out of "net" income.) The enactment of an "income ceiling" as a matter of principle might have aroused opposition, just as "deferred pay" did; Sir Kingsley Wood has very ingeniously secured both by pretending not to. Some figures given in answer to a question in the House of Commons last week illustrate the sections of the population from which the increased revenue is being drawn:—

Ranges of Income	No. of taxpayers	Yield in a Full Year of this year's increases in Income Tax	Average per taxpayer
£.		(£ million)	£
110-1,000	7,500,000	162	21.6
1,000-5,000	275,000	45	163
Over 5,000	25,000	24	960
Non-personal income	—	22	—

One of the minor mysteries of the Budget is the fate of the proposal to reduce the exemption limit for surtax from £2,000 to £1,500. It is true that Lord Simon described his proposal last year as an enabling measure only. But the language of the Finance (No. 1) Act, 1940, was mandatory: "Tax shall be charged . . . at such higher rates in respect of the excess over £1,500 as Parliament may hereafter determine." This seemed to be clear enough. But Sir Kingsley Wood made no mention of the matter in his speech and, though certainty must await the publication of the Finance Bill, it is understood that no surtax will be charged on the slice of income between £1,500 and £2,000 this year—in other words, the rate that "Parliament shall prescribe" is *nil*. This is a curious episode, and it is to be hoped that the Chancellor will explain his motives in the course of the debates.

* * *

The Russo-Japanese Pact

Japan has been angling for a Russo-Japanese Pact for about a year, and the possibility of an understanding was canvassed even earlier. The problem is why Russia chose this particular moment to sign a Treaty of Friendship and Neutrality. True, the Germans worked hard all through the winter to secure some such understanding, and went so far as to speak of Russia joining the Tripartite Pact and sharing in the "common task of world leadership." But blandishments and persuasion had little effect and it is possible that in their desire to see Japan's hands freed in the Far East the Germans tried the effect of a little coercion on the unwilling Kremlin. A spate of rumours, undoubtedly from Axis sources, flooded Europe with the tale that the turn of the Ukraine would come next, and the rumours were accompanied by provocative German troop movements. These moves appear to have had the desired effect. The Russian Government, determined to secure its Far Eastern frontier, was ready to negotiate on Mr Matsuoka's return to Moscow, and the Pact is the result. To this extent it must be recognised as a success for German diplomacy, even if the troubling of relations with Russia was a greater price than the Nazis would have preferred to pay. Yet the Pact does not by any means fulfil Germany's earlier expectations. There is

no question of co-operation with the "Triangle" Powers. Russia's neutrality is guaranteed only if Japan is attacked, and by no conceivable stretch of the imagination can it be supposed that Japan will be attacked. And Japan's guarantee of neutrality would be hard to square with the provisions of the Tripartite Pact if Russia and Germany were to be involved in war with each other. More significant than the Pact was perhaps the joint statement in which Russia recognised the *status quo* in Manchuria and Japan that in Outer Mongolia. This suggests that both states are ready to cut their losses in a long-disputed zone. It may suggest that Stalin's enthusiasm for the cause of Free China is finally extinguished.

* * *

Rearmament Organisation in America

The administrative framework within which the gigantic American armament programme is to be managed is beginning to take shape. The President cannot divest himself of his constitutional responsibilities for the whole executive branch of the Government, but there are many critics who believe he could carry the process of delegation somewhat further, and it is inevitable that as the problems and the details multiply an increasing degree of sub-division should be necessary. Something of the nature of a "War Cabinet" is already in being in the frequent conferences of the President with the Secretaries of State, of the Treasury, of War and of the Navy and with Mr Harry Hopkins, who has just been placed in charge of the supply of materials to foreign countries under the Lease-and-Lend Act. Production is in charge of the Office for Production Management which, in effect, consists of Mr William Knudsen and Mr Sidney Hillman, symbolising in their persons the alliance of Capital and Labour. The OPM has three main divisions—Production, which is Mr Knudsen's specific province; Purchasing, under Mr Donald Nelson, and Priorities, under Mr Edward Stettinius. A fourth P—Prices—can be said to have been added by the appointment last week of Mr Leon Henderson to be head of a new Office of Price Administration and Civilian Supply. The skeleton of a war economy is thus in existence. Hitherto, even decisions on priority and prices have been taken by agreement and it remains to be seen whether any more compulsory powers can be used in conditions that are still "short of war." Mr Hopkins' appointment to administer the Lease-and-Lend Act brings to an end the functions that Mr Morgenthau, the Secretary of the Treasury, has hitherto exercised as the main channel of communication between the various British purchasing missions and the United States Government. Mr Morgenthau has been a real friend to the common cause for which Britain is fighting and America is arming, and if he is now to hand over these functions it is reassuring that his successor is not only very close to the President and well-known for his energy, but is also fresh from a visit to London.

* * *

Atlantic Casualties

In future, merchant shipping losses will be announced monthly, probably towards the middle of the following month. There is no desire on the part of the authorities to conceal sinkings. They will still be published; and the monthly method will very largely avoid the difficulty of weekly announcements which for some time has been that, for lack of speedy information about the fate of ships, the original figures have frequently had to be drastically revised—usually upwards. Actually, of course, this difficulty could equally well have been avoided by merely delaying the weekly announcements by a week or fortnight; and it is hard to resist the impression that this is a somewhat unfortunate moment to change from weekly to monthly publication. The official explanation is twofold: first, that weekly figures give a distorted view—too optimistic if small and too pessimistic if large—of what is happening; and, secondly, that the collection of the figures in a single monthly total will foil the efforts of the enemy's intelligence to deduce what ships have been sunk and where. The first point is perhaps a trifle specious. The comparison of weekly figures over a period need not give a distorted view; rather the reverse. The information that the public wants—if it is politic to give it—is the course of events, because upon the flow of imports, week by week and day by day, the scale and continuity of the war effort depend—more even than upon the total of

tonnage at the Allies' disposal or of tonnage building in the world's yards. If the weekly figures have been misinterpreted, it has been because of their incompleteness, owing to being given out too soon, and, no less, because of the way in which they have been presented. Complete and intelligently commented upon, weekly figures can give a true picture. On the second point, the experts must, of course, have the last word. The desire to give full information to the public must give way to the need not to give any useful information to the enemy. But, if weekly announcements are "careless talk" now, they have been so all along, and it is not perhaps the happiest of coincidences that this change should have had to be made at a time when weekly losses have been running so high.

* * *

On the Busy Banks of Clyde

The Government scheme for dock labour, already in operation in a similar form on the Mersey, has not been accepted by the Glasgow dockers. But they are giving it a trial. Last week a ballot of the dockers confirmed the refusal of earlier meetings to admit the need for decasualisation to speed up the turn-round of ships. This week, however, having made their distaste plain, the dockers have signed on almost *en masse*, and fears that there might be a dispute, and even a stoppage of work, have been quite removed. The frankness of the Glasgow dockers has been matched by their loyalty, and it is only fair to recognise that their opposition to being taken into regular employment by the Ministry of Transport was not mere obstruction. Their belief was—and is—that the dock work of Clydeside could quite well be done under the old system of casual hirings and irregular employment; and it has been noticed this week that, so far, there has not in fact been sufficient work for all those who have signed on. On the other hand, all the men who have registered have received the minimum weekly pay which is now guaranteed, whether they have had jobs to do or not; and whatever the attractions may be—in busy times like these—of the freer and less regular ways that are traditional on the Clyde, the advantages of this measure of security will not be unnoticed. In brief, the dockers have decided to do nothing to hinder the war effort at what is probably its most vulnerable point. The scheme is to be tried for three months; and all the parties concerned—the Scottish Transport and General Workers' Union, the Ministries of Labour and Transport and the dockers themselves—are to be congratulated on an arrangement which will make it possible to find out whether, as Mr Bevin claims, the loading and unloading of ships can be speeded-up by a third or more. It certainly behoves the directors and staffs of more inland forms of transport, with the Government, to see that nothing in their sphere nullifies the degree of acceleration that may now be achieved at the ports.

* * *

Peace Aims

Complaint has been made in some partisan quarters that the Prime Minister should spend his time in these critical days discussing the amendment of the Trade Disputes and Trades Union Act of 1927 with the TUC. This surely is for Mr Churchill to decide. It is a fact, of course, that these discussions must necessarily be some-

Every facility for
BANKING
business on
SWEDEN
SKANDINAVISKA
BANKEN
Central Offices at Göteborg, Stockholm
and Malmö

CABLES (FOR ALL OFFICES AND BRANCHES)
SKANDINAVBANK

what unreal just now. The 1927 Act, passed after the failure of the General Strike, is a burning grievance, and various attempts have been made, since mobilisation for war made the co-operation of labour imperative, to use amendment of the Act as a bargaining counter. By outlawing "sympathetic" strikes it seemed to stigmatise the movement of 1926 as "unconstitutional"; by substituting "contracting in" for "contracting out" in the payment of political levies, it placed apathy and inertia on the side of non-participation; and by restraints on picketing it restricted the technique of striking. But it was the prestige of the unions far more than the status of unionism that was affected. Since 1927 the abhorred Act has not in fact been burdensome on the unions; and in latter years they have flourished as never before. Now, in wartime, striking cannot be encouraged. Whether or not it is actually forbidden in essential work is not quite clear, though it is plainly laid down that disputes must be settled by arbitration if collective bargaining fails; the basic right of workers to withhold their labour is being widely withdrawn. The case for discussing the Act now is really that, as Mr Churchill said the other day, it will be a point of honour to reinstate free unionism after the emergency passes, and it is thus a peace aim, and not an aspect of war policy, that the Prime Minister has been talking over with the TUC.

* * *

Those who Live in Glass Houses

Following hard upon the assumption of the Hungarian premiership by the former Minister for Foreign Affairs, M. Barcza, came the news that Hungary, presumably at German instigation, had launched an attack upon her hard-pressed neighbour, Yugoslavia. In true Axis tradition, the first Hungarian war communiqué was published on Good Friday, and it was succeeded by official announcements that Hungarian troops occupied the region between the Danube and the Tisza on Saturday and had advanced as far as Novisad on Sunday last. From the Axis standpoint the Soviet rebuke administered by the Deputy Commissar for Foreign Affairs, M. Vishinsky, to the Hungarian Minister, simultaneously with the conclusion of the Russo-Japanese Neutrality Pact, is, for the moment, the only fly in the ointment. For the rest, the technique applied to the dimemberment of Czechoslovakia has been closely followed. Croatia is to form a "quising" state, similar to Slovakia, and Hungary once more receives her portion. Yet the form of the Russian rebuke contains a salutary warning that Hungary is the last nation that can afford to exploit the difficulties inherent in the government of minorities, "since in Hungary there are also substantial national minorities." This treacherous incursion, coming, as it does, only four months after the conclusion of a Pact of Friendship with Yugoslavia, will have fatal long-term results, not only for Hungary but for the peace of Central Europe as a whole. Hungary, like Bulgaria, has once more put herself out of court as far as the reconsideration of her irredentist claims are concerned. For more than twenty years peaceful co-operation of the States within central and south-eastern Europe has split on the rock of Hungarian grievances. By this ill-judged action, consideration of Hungary's claims, in the event of an Allied victory, must become infinitely remote, and public respect for her propagandists an increasingly rare phenomenon.

* * *

Conscientious Objectors—New Position

There are, at present, two classes of conscientious objectors recognised by law: those who object to being registered in the military service register; and those who object to performing military service. Presumably in accordance with which of these grounds is claimed and established, the tribunal can have the objector registered unconditionally as a conscientious objector or conditionally—the condition in the latter case being that, during the war, he must undertake work (specified by the tribunal) of a civil character and under civilian control. If a man objects to performing combatant duties, he is registered for non-combatant duties in military service, but is not registered as a conscientious objector. Under the new National Service Bill, however, anyone who has come, or will come, into this third category will in future be registered as a conscientious objector. Also under the new Bill, persons granted conditional exemption become liable to be called up for the

civil defence services—with the exception of the police war reserve, who may have to carry arms. In a great number of cases this will accord with the wishes of the objectors, whose trouble has frequently been the unwillingness of local authorities to employ them for civil defence, in flagrant contradiction of the expressed directions of the tribunal. For some objectors, however, the new legislation will mean great misery. Not a few conscientious objectors are emotionally unstable, and their claim to conscientious objection is really an attempt—a perfectly honest attempt—to rationalise a profound emotional objection to the horrors of war. Putting people like this into civil defence, where they may see far worse horrors than they might on the battlefield, may cause them acute mental distress. Moreover, some of those objectors who were granted exemption on condition that they remained at their jobs were content then not to appeal for unconditional exemption—which they might possibly have got. Now it is too late for them to appeal, and they find themselves faced with the possibility of being transferred from their jobs to do work which they may, conscientiously, consider too much akin to military service for them to perform it. Obviously, conscientious objection is an individual matter, and it is impossible to legislate for individuals. But it is to be hoped that in the administration of the new Bill sufficient leniency will be shown to prevent people from being put into work for which they are constitutionally unsuitable and where they would merely prove a nuisance to themselves and others.

* * *

No Consciences for Women

Somewhat illogically, it has been decided by Mr Bevin, and accepted without protest, that women shall not claim exemption from registration for war work on the grounds of conscientious objection. Since women have never been called upon to take life, the prime motive of conscientious objection does not arise in their case. But from a refusal to take life men are allowed to proceed to the opinion that war, which necessitates the taking of life, is unjustifiable and to have their claim not to help the war effort, either directly or indirectly, recognised at law. Women, on the other hand, are in much the same position as the conscientious objector registered for non-combatant duties; they can be conscripted for the women's branches of the fighting services or for work in a munitions factory. Yet, although the prime motive is lacking, there is no reason why women should not regard war with the same repugnance as the "absolute," or unconditional, conscientious objector—some, indeed, do. In practice, Mr Bevin's method of individual direction will probably prevent women from being placed in work to which they have a profound aversion—whether conscientious or not. And there certainly is no evidence of any demand among women for conscientious objectors' rights. But it is, at least, anomalous that what is usually known as the weaker, or gentle, sex should be denied the right of refusing to take any active part in the war effort, when it has been granted by law to men.

* * *

South America and the War

South American trade during the first months of 1940 was fairly buoyant, so that the trade returns for the complete year do not fully reflect the steep decline in exports over recent months due to the loss of European markets. Nevertheless, Argentina's total exports fell to 1,428 million pesos from 1,573 million pesos in 1939, and there was a surplus of imports of 70,824,000 pesos in place of an export surplus of 234,841,000 pesos. In January, 1941, Argentina re-established a favourable balance of nearly 20 million pesos, but this is poor consolation for a fall in value, compared with January, 1940, of 46 per cent in exports and 50 per cent in imports. Brazil's exports in 1940 fell to £32,004,000 (gold) from £37,298,000 in 1939, and the positive balance was only £1,575,000 (gold) against £5,497,000. The steep decline in shipments to Europe is shown by the following percentages of exports in 1940 to the European Continent (excluding Great Britain), compared with the ratios in the pre-war year of 1938 given in parentheses: Argentina, 24 per cent (44); Brazil, 16 per cent (43); Chile—ten months only and excluding nitrate—6 per cent (31); Peru, 4 per cent (24). The difficulties of obtaining goods from Europe have led to two

outstanding developments in South America: first, a great increase in inter-American trading (particularly with the U.S.A.); and, secondly, to increasing internal industrialisation which must eventually affect many import lines. Due to the blockade, imports from Germany are now virtually nil, while those from Japan, although increasing, still range only from about 2 to 6 per cent of total imports into the principal countries. Compared with 1938, imports in 1940 from Britain were fairly constant in total value at around 20 per cent in the case of Argentina and 9.5 per cent in Brazil, Chile and Peru. Against this, imports in 1940 from the U.S.A. were as follows, the ratios for 1938 being given in parentheses: Argentina, 29 per cent of total imports (17); Brazil, 52 per cent (24); Chile—ten months only—46.5 per cent of total imports (28); and Peru, 53 per cent (27). Already the State of Sao Paulo alone sends an increasing number of lines of manufactures to other South American countries, while, supported by enormous reserves of iron ore and coal, Brazil has established a National Steel Company which is expected eventually to make that country independent of imports of iron and steel. For the first time in modern history, Brazil in January, 1941, supplanted Great Britain in second place in Argentina's import list, which was headed by the U.S.A.

* * *

Vegetables for Sale

The interesting feature of Lord Woolton's latest experiment, the creation of a vegetable marketing company to stimulate the production and control the distribution of, initially, carrots and onions, is that its form is extra-departmental. After a period in which marketing boards were the bureaucratic fashion, there is a reversion to the semi-independent public utility formula, of which the BBC and London Transport provide the prototypes. The business of the new company and the necessity for its creation are clear. Price control, the disappearance of external sources of supply and internal transport difficulties have impaired the normal functioning of the vegetable market; now, a national price, a certain buyer and a distributor who takes account of need as well as of convenience, are social and economic necessities. The company is, in fact, to perform a function which is the reverse of rationing, but which is dictated by the same considerations—it is to ensure the just and desirable distribution of goods in plentiful supply. It will be a matter of the keenest interest to see how its performance compares with that of the Potato Marketing Board, a department engaged on a similar task. An important aspect of the work of the new company will be the storage of carrots and onions during the summer months for release in periods of shortage. The failure to extend the work of the company to cover the marketing of green vegetables is attributed to the perishable nature of these products. It must, however, be pointed out that even in the existing food crisis green vegetables are being wasted, and that it is the duty of the Ministry of Food to encourage the consumption of perishable vegetables at the expense of vegetables which can be stored. The carrot has been painstakingly popularised, but that multifarious British vegetable "greens" is still comparatively neglected. Indeed, it were better that the Ministry should provide instruction in rendering perishable vegetables palatable, than that it should concentrate popular interest unduly on the carrot and the wholesome spud, whose virtues have never been wholly hidden from the starch-loving British public.

* * *

The Need for More Coal

The Government has appealed to the coal-mining industry for an increase in output during the summer months to stave off any shortage during the next winter. In view of the heavy decline in exports, due to the loss of Continental markets last year, the industry should not find this impossible. Unfortunately, its capacity has been allowed to shrink, especially by the depletion of its labour force; and in order to stem this exodus of miners from the industry, the Government has decided to apply to it the Essential Work Order—which prohibits employers from dismissing workers and the latter from leaving their jobs, except by permission from the Ministry of Labour. The miners' first reaction to the Government's demand was to pass a resolution making the application of the Order conditional upon "some effective measure of workers' control of the industry." After further discussions with the Mines

Department, however, the Federation waived this condition, and, on Thursday last week, passed another resolution calling for the collaboration of the Mines Department "towards the establishment of a national board, with power to consider wages, or other matters affecting the industry." It is doubtful, however, whether the application of the Order will suffice to bring a 10 to 15 per cent expansion in output, in particular, whether it will lead to increased production per head, through a reduction in absenteeism, for example. Efforts must be concentrated primarily on speeding up output with the existing labour force; this may involve the transfer of unemployed miners to districts where there is a shortage. But if the desired increase in output cannot be achieved by the existing labour force, some of the miners who have been either called up or have taken employment in other industries will have to be recalled. The return to coal-mining of workers who have left the industry should be facilitated by a weekly minimum wage which is provided for in the Essential Work Order. Given a measure of goodwill, the output of coal can be raised to a level which will prevent the recurrence of a shortage.

* * *

Military Status

In wartime it is necessary, not only to bring men and women into war work, but also to keep them there. In industry the corollary of registration is the Essential Work Order forbidding employees to move or be moved. In the women's auxiliary Forces the corollary of registration and the mobilisation of young women is the new status of the ATS and WAAF. They are now to have full military status, and members will not be able to drift in and out at will. It will be impossible, for instance, for ATS clerks to vanish from their offices and return as civilians to do exactly the same jobs for much more pay—though in this actual case the outstanding feature is really the gap in pay between civilians and members of the Forces doing the same work side by side; a gap—applying to men as well as to women—which is evident in transport and other work as well as in offices. It is only right that women enrolled and trained should stay put, especially when a start is to be made to the mobilisation of all women for war work; and it only remains to list the special exceptions to the rule which will be needed. But the new status is not intended merely to prevent wastage. There are operational reasons. The range of women's duties in the Army and the Air Force is extending. In the present shortage of men to work and fight this is imperative, and full use cannot be made of the auxiliaries unless they are under military discipline like the soldiers and airmen they work with.

* * *

Incomes and Needs

The Social Science Department of Liverpool University has produced an enquiry into working-class incomes which includes an interesting attempt to measure the assistance available from the various social

WILLS & TRUSTS

In the present wartime emergency difficulty may be experienced in selecting a suitable Executor or Trustee. This difficulty can be solved by appointing a corporate body having the status of a Trust Corporation.

MARTINS BANK LIMITED

is a Trust Corporation and as

EXECUTOR & TRUSTEE

offers efficient service with security and continuity of management throughout the Trust. The fees are moderate; probably less than the legacy you would bequeath to a private Executor.

Enquiries welcomed at any Branch of the Bank

Total Assets £140,000,000

London District Head Office: 68 Lombard St., E.C.3

Head Office: WATER ST., LIVERPOOL, 2

600 BRANCHES

incomes which includes an interesting attempt to measure the assistance available from the various social services against the needs of three typical groups of families. The families examined are: A, a man and wife and three very small children; B, a widow with two children of school age; C, a couple of old age pensioners. Two standards of living are considered: the "poverty line standard," a slightly modified version of that used in the Social Survey of Merseyside, and barely sufficient to maintain physical efficiency; and the "human needs standard" which is mainly the same as that used by Rowntree, with the British Medical Association's nutrition report estimate substituted for the food item and the Merseyside Survey data for the rent estimate. The "human needs" standard permits of some expenditure on books, holidays and entertainments, and its cost for these families works out as follows:—

COST OF BASIC NEEDS OF REPRESENTATIVE FAMILIES,
OCTOBER, 1940.

	A		B		C	
	s.	d.	s.	d.	s.	d.
Food	27	8	22	6	16	10
Rent and rates	8	6	8	6	7	0
Clothing	11	1	6	3	5	7
Fuel and light	5	4	4	3	4	3
Sundries	13	5	7	0	4	8
	66	0	48	6	38	4

It is estimated that the average wage of an adult male in October, 1940, was somewhere between 70s. and 75s. per week, so that those families in Group A whose head earned not much less than the average should have been reasonably comfortably off as long as he was in full work.

The poverty line standard, which represents in effect a minimum subsistence level, is shown in the following table, where it is compared with the actual expenditure of three carefully selected families:

ACTUAL EXPENDITURE OF FAMILIES NEAR THE POVERTY LINE

Weekly cost of	A		B		C	
	Poverty line standard	Actual expenditure	Poverty line standard	Actual expenditure	Poverty line standard	Actual expenditure
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
Food	21 11	22 0	14 2	11 3	9 9	14 11
Rent and rates	7 0	6 0	7 0	5 0	5 6	6 6
Clothing, cleaning and light	8 11	5 1	5 6	9 7½	3 2	1 0
Fuel	2 11	4 6	2 4	4 6	2 4	3 4½
Sundries	...	6 11	...	0 6	...	11 8½
Total	40 0	45 0	29 0	26 4½	20 9	37 6

Comparing this poverty line standard with the provision made by the various social services, the report states that at the specified date the sums to which a family of Group A would be entitled during the unemployment of the breadwinner were 41s., 39s. 9d. and 38s., according to whether he is drawing ordinary benefit, unemployment assistance or public assistance. That is to say, they get something approximating to their minimum needs. A widow in Group B, if she was an insured worker and had a widow's pension, would draw 36s. during unemployment. If she was uninsured, her pension and allowances as the widow of an insured worker only amounted to 18s. The normal public assistance scale in Liverpool for such a family was 28s. The most fortunate group were the old age pensioners of Group C, who might, with the addition of 12s. from the Assistance Board, have an income of 32s., but even this, though well above the poverty line, is nowhere near the human needs level.

War Against Rheumatism

It is probably not generally realised that rheumatism is one of the most destructive diseases with which this country is plagued. Cancer and tuberculosis are more spectacular in their effects, but as the principal cause of heart disease rheumatism is described by Lord Horder as a "wholesale killer," while the loss to England and Wales alone in wages, sick pay and cost of treatment is conservatively estimated at £25 millions a year. These facts have been put before the country by Lord Horder, in collaboration with the Empire Rheumatism Council, in an urgent plea for a national plan of action. He estimates that at least a million adults and 200,000 children are suffering from rheumatic disease in England and Wales, while the incidence in Scotland is still worse. In 1936 over a quarter of the prolonged absences from London County Council schools were due

to this cause. Apart from the LCC scheme for the treatment of patients of school age, far too little has been done. The causes of rheumatism are still very imperfectly understood; but Lord Horder gives some impressive statistics from various treatment centres here and in the United States, showing many patients either cured or very much improved. His purpose is to outline and urge the adoption of a bold national scheme. At present only one-tenth of the rheumatic population at the most can afford the necessary treatment. The plea is for specialised treatment centres in every region, with more widely distributed local treatment centres for dealing with the less difficult cases; and much can be done by the patient in his own home if he is properly taught how to administer the treatment. How seriously Lord Horder regards rheumatism in children is shown by the fact that, in advocating the extension of the LCC scheme throughout the country, he stipulates that the most important qualification of every school medical officer should be his ability to recognise rheumatism in its very early stages. The LCC can report no actual diminution of rheumatism in recent years, but it has succeeded in reducing the incidence of heart disease in its schools from 2 per cent to 0.77 per cent since 1926, and this is justification enough. The adoption *in toto* of Lord Horder's recommendations would be very expensive, but he claims that the tragic waste caused by rheumatic disease is, if possible, even more intolerable during war than in less difficult times.

Mr Hoover's Case

Criticism of the Hoover scheme for feeding the populations of certain German-occupied territories has led Mr Hoover to send a statement of his position to the *Times*. He will hardly conciliate his critics by dismissing the reasoned objections which have been raised in this country as "smear material," but the letter has at least the value that it makes public Mr Hoover's admission that only very stringent conditions—including strict neutral supervision and an end to German requisitioning—could make such a scheme in any way acceptable. In general Mr Hoover's letter leaves the controversy exactly where it was. For example, his statement that food sent to Belgium would "not support men working for Germany" is hard to reconcile with the facts. However, the chief indictment of his policy rests on his own statement that his aim is to give "no military advantage to either side." But the whole point of the British blockade is that it gives military advantage to Britain, and the British people will have to be given far more cogent reasons than those advanced by Mr Hoover if they are to abandon a policy which favours their victory for one which assumes that they are neutral in their own struggle.

Shorter Notes

At the moment of going to press, news comes that Lord and Lady Stamp have been killed as a result of enemy action. Even a bare recital of Lord Stamp's services to the community would require more space than can be found at the last moment and will have to wait until next week. Here he can be mourned only in the more intimate capacity of Chairman of the Trustees of *The Economist*. He will be very sorely missed.

A Bill has been introduced in the House of Lords giving the Lord Chancellor powers to deal with inefficient justices of the peace. A voluntary system of retirement from the bench, by which magistrates can be transferred to a supplemental list, has been in operation for about three years, and since November, 1940, it has been a condition of appointment of J.P.s that they should apply to be placed on the supplemental list on reaching the age of 75. Under the new Bill the voluntary system is retained, but the Lord Chancellor can direct that a J.P. should be transferred to the list if he considers it expedient that because of age, infirmity "or other like cause" the justice should cease to exercise judicial functions.

A Supplementary Agreement has been concluded between Great Britain and Spain and signed on April 7th. It provides for the advance of £2,500,000 to the Spanish Government. The greater part of the loan will be used for the purchase of foodstuffs and raw materials of which Spain is in urgent need.

THE WORLD OVERSEAS

Political Currents in Canada

(From Our Ottawa Correspondent)

March 21st

ALTHOUGH the King Ministry with its huge majority seems to be in a commanding position, there are visible portents of an impending political upheaval. For one thing, it is obvious that several Ministers are finding their labours a strain and are suffering in health, while for another, other Ministers are obviously inadequate for their offices. The demand for a National Government representative of all the parties has therefore revived and is being vigorously supported by influential papers like the *Toronto Globe and Mail* and the *Montreal Gazette*, while prominent Liberal papers such as the *Winnipeg Free Press* call for a drastic reorganisation of the Cabinet. Ministers, however, are still averse to sharing power with the leaders of other parties and take the ground that the mandate secured a year ago to administer the war effort still holds goods. To this the retort is made that this mandate was explicitly secured for a programme of limited participation in the war, before the seriousness of the threat to the existence of the British Commonwealth was realised, and that now, when a full national effort is called for, it can only be achieved under the leadership of a National Ministry.

In the House of Commons on February 24th, Mr Lapointe made a very maladroit attempt to squash the agitation for a National Ministry by declaring bluntly that his own Province of Quebec had such unhappy memories of the National Ministry formed in the last war that it was almost a crime to mention the words. But such a veto, pronounced by a French-Canadian Minister on behalf of the Province of Quebec, was almost bound to defeat its object, and the actual result has been not to suppress the demand for a National Government, but to intensify it, since throughout the English-speaking provinces of Canada there is a widespread feeling that the views of the French-Canadian element, who are suspected of not being very enthusiastic about the war, have already exercised too much influence in the councils of the King Ministry. The idea that Quebec should try to dictate to the rest of Canada what kind of government it should have does not find favour outside that province.

The Conservative Attitude

The agitation for a National Government is, however, encountering one serious obstacle in the disinclination of the leaders of the Conservative party to participate in the formation of such a Ministry. Mr R. B. Hanson, K.C., the temporary parliamentary leader of the party, has expressly intimated that he does not want to join the present Government or any Coalition Ministry, but prefers to stay in opposition and fill the rôle of vigilant critic. This statement was issued after careful deliberation and consultation with prominent Conservatives throughout the country; they evidently believe that the Liberal party, having insisted upon assuming sole responsibility for the administration of the war effort, will at the close of the present war be as gravely discredited as the Conservative party was at the close of the last war, and that at the next general election an opportunity will be presented to the Conservative party to repair its shattered fortunes. The decision has, therefore, been taken to remain in opposition and to reorganise and revitalise the party so that ultimately it can offer the prospect of an alternative Ministry.

Public opinion, on the other hand, remains in a state of widespread disquietude about the administrative efficiency of the King Ministry. Its apprehensions have been increased by the publication of a report made by

Mr H. R. Macmillan of Vancouver, an able businessman, who is chairman of the Wartime Requirements Board, upon the progress of the war programme. This report found progress satisfactory in seven out of the ten divisions of war supply. It described the production of automatic equipment as "100 per cent perfect," and said of shipbuilding that "performance is good." It had no criticisms to offer about the ambitious programmes for making shells and explosives, and declared that the difficulties of tooling up factories for shells and organising production had been largely surmounted. But the report disclosed that Canada is now dependent upon the United States for 80 per cent of the machine tools which are required and that tools required for important operations had not been ordered. Moreover, Mr Macmillan had no cheering account to offer about tank construction. The Canadian public had been led by Ministers to believe that arrangements for an output of tanks from Canadian factories on a substantial scale had been completed some time ago and that they would be rolling off the assembly lines some time this spring. But Mr Macmillan revealed that the plant, which is being erected by the Steel Company of Canada for the manufacture of armour plate needed for tanks, will not be completed until next June, and that the engines, transmissions and suspension units have not even been ordered, while no drawings have been received for gun mountings. The production of tanks in Canada is obviously some distance off, and Mr Howe, the Minister for Munitions and Supply, is now being accused of deceiving the public.

Concerning aircraft production the report had severe criticisms to offer, and the gist of his findings was that the production of aircraft in Canada was much more expensive per unit than in the United States, where mass production was possible, and that more efficient planning was necessary to make the most economical use of Canada's aircraft capacity.

Norway's Anniversary

[BY A CORRESPONDENT]

April 9th

It is just a year since Hitler invaded Norway and Denmark. Most Norwegians have decided to spend these days of sad memories by silently remaining indoors. A

THE BRITISH LINEN BANK

Incorporated by Royal Charter, 1746

Head Office: 38 St. Andrew Square, Edinburgh

OVER 210 BRANCHES IN SCOTLAND

LONDON OFFICES

City Office: 38 Threadneedle Street, E.C. 2
West End Branch: 198 Piccadilly, W.1

chain letter is circulating all over the country suggesting that thirty minutes from 2 p.m. to 2.30 p.m. on April 9th should be devoted to Norway's fallen. "Norwegians, stay indoors this half-hour," it says. "Arrange that none need be in the streets, restaurants, or public places. Let the streets, tramways and shops be empty. Do not telephone or answer the telephone in this half-hour. Treat everybody with contempt who does not observe this half-hour for our dead. School children must not answer during this half-hour."

Chain letters of this kind or written and roneoed circulars passing from hand to hand have acquired tremendous popularity. The other day a well-known Oslo printing firm printed privately fifty thousand copies of the Bishop's pastoral letter appealing for resistance to the nazification of Norway. By the time the Germans tried to confiscate the letter 47,000 copies had already been distributed; these were rapidly stencilled and over half a million of them are now circulating all over the country.

Opposition to the Nazis, which can be said to represent some nine-tenths of the population, is to a considerable extent carried out in broad daylight, notwithstanding the ever-growing Nazi terrorism. Even schoolchildren have been imprisoned and deported. A special reformatory has been established "somewhere in Norway" for children whose conduct at school reveals hostility to the Nazis.

A curious sidelight on the situation is the spontaneous development of a national sense of humour—not a quality in which the Scandinavians normally excel. The Moellegaten prison, for instance, is now usually referred to as "Hotel Norge" and the people proudly say that its "guest book" indicates the extent to which the opposition embraces all parties and social strata. Paper banknotes of one and two kroner have been issued. The two kroner ones are known as a "Quisling" and the one kroner notes as an "Usling"—the latter word meaning "scoundrel" in Norwegian. If anybody asks why, the answer is that it takes a double "Usling" or scoundrel to make up a "Quisling." On posters with Quisling's name the letters "Q" and "i" are invariably crossed out—just leaving the Usling. The police minister, Jonas Lie, is generally referred to as "Judas Lie."

New postage stamps are being printed without King Haakon's portrait or the words Kongeriket Norge. But local wags say that Quisling dare not put his own face on them because instead of licking the back of such stamps the public would spit on their face.

Economic Distress

This flippancy is all the more surprising when it is realised that, in addition to political terrorism and national humiliation, the Norwegians are suffering genuine economic hardship. First of all, it is they who have to bear the cost of the German occupation, which was recently stated by Mr Butler to amount to an annual rate of £68,000,000, or Kr.1,200,000,000, which is equivalent to £25 per head of the population. But it does not include the financial burdens arising from the compulsion on occupied territories to supply Germany with more goods than they receive in return. A secret memorandum compiled by Norwegian economic experts on the spot estimates the value of these additional charges at some £28,000,000. The central clearing institute in Berlin regulates trade with occupied countries. Norway's exports to Germany are paid for in blocked marks. German soldiers' allowances in Norway are paid in Norwegian exchange, drawn on

Germany's account with the Bank of Norway. With this money the soldiers buy Norwegian goods and send them to Germany. German purchases of foodstuffs and raw materials in Norway are also paid for out of this account. As a result, there is a food shortage—most of the meat, butter, eggs, cheese and preserves going to Germany—an acute shortage of raw materials—which are used by the Germans for building barracks, soldiers' homes, aerodromes, military roads and new German controlled undertakings—and, finally, inflation.

Shortage of Essentials

The economic effects of German control are particularly disastrous in having brought about the shortage of the following essentials:

- (1) Coal. Germany has delivered only 10 per cent. of the supplies promised to Norwegian industries.
- (2) Petrol and oil. Oslo buses are now allowed 6,000 litres per month, against a normal consumption of 93,000 litres; there is also a desperate shortage of petrol for farm vehicles and the fishing fleet.
- (3) Cement and bricks. These are virtually monopolised by German construction work.

The paper industry has had to close down owing to the coal shortage, although activity in the pulp industry has continued on account of the growing demands for cellulose as cattle fodder. As a result there is considerable unemployment and short-time working. This applies to the soap, oil and fat trades, the match industry (which is working 38 hours a week), and many other branches of production or commerce are either closed down altogether or they are working short-time.

Norway has, of course, lost all her non-European markets, which before the war accounted for 50 per cent. of her trade. Now Norway is officially told by the *Völkischer Beobachter* (March 18th) that she can become self-sufficient by making use of her inexhaustible raw material—wood. Wood must be used not only for constructional works but also for the production of gas in place of petroleum. It has now been made clear that Norway's economy is to be exploited in the interest of Germany. Industries of no value to Germany are to be allowed to die. The shipping fleet will never return to its pre-war size. The Norwegians are told that the iron project (by which it was proposed that Norway should work up iron ore into pig-iron and semi-manufactured goods instead of exporting the raw materials) was too ambitious an enterprise to undertake. She should rather specialise in the production of raw materials, in this way finding a place in the German economic system.

German Exploitation

On the other hand, the Germans will themselves exploit those sections of Norwegian industry which are of value to them. These include the fishing industry—60 per cent of all Norwegian fish catches must be sent to Germany—which is especially wanted to supply oil to take the place of the whale oil now lost to Germany; the Norwegian mercantile fleet—what is left of it, since the vast majority, nearly 4,000,000 tons, is in the hands of the legal Government and in the service of the Allies; and Norwegian water power—which is the biggest exploitation planned by the Germans. Large new electrical installations are planned to provide power for new chemical and other factories, which will be built in Norway to provide materials for the German war machine. Electrical power will also be carried by cable to Germany. A typical plan is that for the exploitation of the great Aura waterfall near Kristiansund. A new township is to be built near the foot of the fall, and some 6,000 workers are to be transported there. The Norwegian State is to be asked to contribute 50 per cent of the cost of these new undertakings, although the benefits will of course be derived mainly by the Reich.

The Norwegians know full well that only an Allied victory can save them from utter ruin and total enslavement. They are sustained in their stubborn resistance to the German invaders by their firm belief in the triumph of right over wrong. Episodes like the recent Lofoten raid give them new courage, despite the terrorism that has followed. And they take pride in the fact that their greatest material national asset, some four million tons of shipping, is gallantly serving the Allied cause.

Balkan Scarcities

[BY A CORRESPONDENT]

April 12th.

In South-Eastern Europe—or elsewhere, for that matter—military occupation, economic collaboration and adherence to the Tripartite Pact are really only so many expressions for the same thing: complete submission to the German war colossus. In internal administration there may be some slight variations of control from country to country; economically, however, their position is one. As for outward signs of this common plight, all the countries involved are facing an increasing scarcity of imported raw materials. All had been accustomed, and more or less forced by lack of free exchange, to hand-to-mouth buying, and the outbreak of war found them with very slender reserves in 1939. In the early months of the war they were able to cover their current requirements within the quotas allotted by the Allied contraband control and mainly against corresponding deliveries of their own products, which were preferred very wisely in the event to payment in gold. Since last June, however, shipping difficulties and later a tightening of the blockade—no doubt not independent of political developments in the Balkans—have practically stopped overseas supplies. This affects in particular the well-developed textile industries in South Eastern Europe, which depend to a very large extent on imported raw material.

Still more serious and widespread are, of course, the direct effects of German exploitation. This, on the one hand, deprives the countries of South-Eastern Europe of their own produce; it is no longer a question of selling an export surplus, but a first charge on the whole production, to the extent of imposing severe rationing on home-grown food. On the other hand, Germany, and still less Italy, are unable to supply their import requirements, to replace previous deliveries from outside sources. It should be remembered that Germany, in supplying, say, 50 per cent of Rumania's total imports before the war, had not supplied 50 per cent of all classes of goods, but up to 100 per cent—and not infrequently even more—of that range of goods which she could produce for export. There is consequently little, if any, scope for expansion, while the turning over of industry to war production is bound to affect at least some classes of previous German deliveries, such as machinery. The scarcity of commodities in South-Eastern Europe extends, therefore, to overseas, home-produced, and even to those goods normally supplied by Germany.

The Path of Inflation

Nor is this the whole story. "Foreign trade" on such lines renders the countries of South-Eastern Europe large-scale creditors of their Axis partners, insofar as exports are not set against occupation costs or other charges. However, whether creditors, or plundered, on international account, they have to pay their home producers for the goods sent to Germany or consumed by her on the spot. The only possible method of paying is by the increase of the fiduciary issue, already swollen by the cost of military mobilisations and other extraordinary expenditure.

The combined effect of all these inflationary factors is a steep rise in the cost of living. Drastic regulations to stop the rise of prices result, more often than not, in the goods disappearing altogether from the open market.

There may be, at first sight, little unfamiliar or specific in this situation, as measured by the standards of Nazi-controlled Europe in 1941. There are, however, two important differences. One is the fact that the Balkan countries, with their inherently weak economic structure, are more liable to collapse than their Western counterparts. The other, perhaps less direct in effect but affecting the Germans more deeply than economic ruin in the occupied or semi-occupied countries, is the repercussion of the worsening economic situation on the peasant population—the backbone of the economy and, which is more important, the section in the economic system on which the Germans have to rely ultimately for their supplies.

The Balkan peasant is little interested in financial theories or in political doctrines. He has, however, a keen sense of economics, based on some very simple

facts. He tills his soil, keeps the bulk of its products for his own consumption and sells the remainder in exchange for the few simple necessities of life which he himself is unable to produce. He measures his "prosperity" by the exchange value of his surplus products in terms of the footwear, clothing, etc., which he can buy with them. On this reckoning, with the few goods within his short range of demand growing scarcer every day, the "price" fetched by the products must go on diminishing. This may easily have far-reaching implications, for the peasant, besides being the most conservative of consumers, is also the deadliest of saboteurs. After all, so far as the individual peasant is concerned, agricultural surplus is a flexible quantity. Moreover, the peasant in South-Eastern Europe has long memories, uninfluenced by day-to-day changes of political régime.

American Power Policy

[BY A CORRESPONDENT]

April 9th

REARMAMENT is helping in many directions to bring American business and the New Deal together. The New Dealers need the willing co-operation of business men, who, in their turn, are being brought to admit that there are some sorts of activity in which Government initiative and control are more appropriate than free private enterprise. This is particularly true in the case of electric power policy—though, in this case, the situation that is developing is less a compromise than a victory for the ideas that Mr. Roosevelt has always propagated. The victory is being achieved on two planes at once. On the constitutional plane, a recent decision of the Supreme Court has put the competence of the Federal Government beyond question. Its powers derive from the authority conferred by the Constitution on the United States over inter-State commerce and navigable waterways, and dispute has always raged over the extent to which the transmission of electricity can be regarded as inter-State commerce or its generation at dams can be considered a necessary part of the control of waterways. The Supreme Court decided these questions in the Government's favour by a 6 to 2 vote in a case in which the United States had contended not merely against a private power company but against 41 States as well.

Victory can also be said to have been secured on the economic plane. The strongest criticism raised against the Government's power projects in the past eight years has been on the score of their alleged redundancy; they were competing unfairly, it was said, with established private facilities fully capable of taking up the load. But it has been discovered with some suddenness that there is a risk of a power shortage. Generating capacity was increased by 1,792,000 kilowatts (or about 4½ per cent) in the course of 1940 and further expansion of 3.4 million kw. in 1941 and 2.3 million kw. in 1942 is planned. But even these rapid increases cannot keep pace with the demand. Output in 1940 was 11 per cent higher than in 1939 and the same rate of increase is being maintained. America's monthly consumption of power is now rather more than 12,500 million kw.h. Almost exactly one-third of the total is generated by water power.

Power for Industry

It is thus impossible to maintain that the power from the Government's dams will not be wanted. The con-

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 Dods, O.B.E., G. W. Spinney, General Managers

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

London Offices: 47 Threadneedle Street, E.C.2 Edward Pope, Manager
9 Waterloo Place, Pall Mall, S.W.1 J. H. Pangman, Manager

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

The MERCANTILE BANK of INDIA
LIMITED
Head Office: 15, Gracechurch St., London, E.C.3
Branches and Agencies throughout the East
Correspondents in all parts of the World
LETTERS OF CREDIT AND DRAFTS
ISSUED

struction of a nation-wide grid still lies in the future, so that the new sources of power can contribute little to the power available in the old industrial districts. But the industries are following the power. The Tennessee Valley Authority provides power for nitrates and aluminium. The gigantic Grand Coulee dam in the State of Washington, in the far north-west corner of the country, was only opened last month, but already nearly one-tenth of its output is required by an aluminium plant. The Shasta dam of the Central Valley project in California will provide power for calcium carbide and ferro-alloys. Aluminium also provides the industrial justification for two other projects, the Santee-Cooper development in South Carolina, now nearing completion, and the proposed Arkansas Valley Authority, in the richest bauxite region. At the established dams, generating capacity is being extended. At Boulder Dam on the Colorado, for instance, the demand has already reached the volume that, in Mr. Hoover's day, was predicted for 1980. The President has seized the opportunity presented by the success of his power policy to resubmit to Congress the often-proposed and often-rejected St. Lawrence Waterway plan. This is a joint Canadian-American project, which will provide power for both countries as well as improving the navigation of the St. Lawrence. It still has powerful enemies in both countries and it will provide material for a stiff fight.

It would be a mistake, however, to conceive of these large schemes purely in terms of electric power, or even of electric power plus river navigation. Most of them are deliberate plans for regional regeneration. The objects of the Tennessee Valley Authority are well known, and it is intended that they should be reproduced in the "little TVA's," in the Arkansas Valley, in the Central Valley of California (with its neighbours, Nevada and Arizona) and in the Columbia Valley of Washington and Oregon. Thus the gigantic Grand Coulee dam, which has just begun operating, will provide irrigation for an area of hitherto barren land as large as several European countries. If the rearmament demand for power makes projects of this kind economically feasible, it will not all be waste effort.

Palestine's Industrial Progress

[FROM OUR JERUSALEM CORRESPONDENT]

March 1st

THE forced reduction in Palestine' imports, resulting from the war, has given a fillip to many local industries, which strive to produce goods hitherto imported and, if possible, also to export them to other countries of the Middle East. The efforts in that direction devolve upon private economy to a far greater extent than, say, in Great Britain, because Government help has until now been restricted to the administrative sphere. True, the powers of the Standing Committee for Commerce and Industry have been enlarged, but a more direct help in the form of advances, guarantees, insurance, etc., has been received from the Jewish Agency, which has been able to step in to a certain degree. In conjunction with the Anglo-Palestine Bank, the Jewish Agency has created out of one of the funds at its disposal a revolving fund for the purchase of raw materials from abroad. The procedure adopted is to provide a partial guarantee to the bank for imports, in a manner somewhat similar to that of the British Department of Overseas Trade for exports. Naturally, the amount at its disposal here is incomparably smaller.

The service rendered to the industrial community is nevertheless great, as only a very little amount of raw materials, used in manufacture in the country, can be obtained locally. From the point of view of the war effort, the fact that—as far as is known—no important establishment has had to close down owing to a total lack of raw materials is most important, especially as the term "raw materials" has here a meaning of its own. Our industries are still very young, and in their vertical sequence the lower grades are mostly missing. Therefore, for instance, the finer yarns, rods of metal, alloys, etc., are imported as "raw materials." Never-

theless, the Army Supply Departments have been able to place considerable orders with our factories, and their extent has risen in the last months, as deliveries have been satisfactory and demands have grown. Here, as well as in the relations of industry with its private customers, import conditions play an important rôle. In normal times, concerns were nearly always able to purchase "cif" with payment on, or even a certain time after, delivery. Now they must buy "fob," and payment must nearly always be made with the order, while delivery takes far longer than the normal time, not only on account of deviations, delays, etc., but also because the small and varied orders placed by our industrialists nearly always take more time to execute than would a bigger quantity of a single sort. The sums invested in such consignments are, therefore, tied up for a much longer time than formerly, which is another obstacle for our industries. That these industries are holding their own, and even progressing, in spite of the many difficulties can be demonstrated by a small exhibition of samples of textiles and kindred goods, which was held in Tel-Aviv for the benefit of foreign buyers. During the last few years parcels of ready-made ladies' clothing, etc., were being exported to some countries, especially South Africa, but the orders placed during the recent show by old and new clients, such as Egypt, were larger than hitherto. What is more important is that buyers expressed the desire for a repetition of the show for winter fashions, and it may well be that it will become a regular feature.

Trade Adjustments

The shifting of our commercial relations from countries overseas to those in neighbouring regions is very perceptible and easily explained. About half of our total imports, for instance, came from Germany, Italy and the countries now under German control, while the European continent was our second-best customer for citrus. The situation of the citrus industry naturally constitutes one of the most formidable worries, and it is significant for its seriousness that even very "small remedies" are being tried. One of them is the manufacture of "by-products," such as citric acid and oils. Another is the "citrus movement tax" introduced some weeks ago for the purpose of aiding growers by its proceeds. It is levied on each parcel leaving the groves, and is intended to increase the ruinous prices fetched in the cities. The proceeds have been semi-officially estimated at about £P30,000, and as the value of the crop in recent normal years was £P2½-3½ millions, the amount available for help, even without making deductions for expenses, will be negligible. The situation of the citrus industry is at present under consideration by a special body. Some form of help ought to be made speedily available, as neither the Arab nor the Jewish economy is able to sustain a total loss, or even the loss of the greater part, of the capital invested without running the danger of a major crisis. The situation is aggravated by the fact that there has been very little rain this winter, and that, as a consequence, orange groves are liable to suffer still more than grain fields. The latter brought a bumper crop last year, and a repetition of the phenomenon is most unlikely in the circumstances.

[It was announced in the House of Commons on April 9th that approval has been given to a scheme under which bank advances will be granted to growers to enable citrus groves to be maintained for 1941-42. The Government of Palestine has reimbursed the banks for their advances last year, since the virtual cessation of exports prevented growers from discharging their obligations. The area to be covered by the new advances will be limited to 170,000 dunams; only groves planted before the end of 1935—i.e. full-bearing trees—and in good condition will be considered; growers must be credit-worthy; and interest at the rate of 6 per cent will be payable, the first year's interest to be deducted when the advances are issued. The 1940-41 advances will be a first charge on the 1941-42 crop. In order to broaden the basis of farming in the citrus area, the Palestine Government will provide loans to an amount not exceeding £P100,000 to approved grove-owners for the acquisition of stock and poultry, for the purchase of seeds and fertilisers, etc.]

It should be noted that these "care and maintenance" advances are not comparable with crop purchases in other colonies. The maximum liability incurred by the Government over the two years, excluding the £P100,000 agricultural advances, is £P517,000, and this sum, on which the growers have to pay a high rate of interest, in no way compensates them, and the country, for the loss due to the cessation of exports, the value of which, as our correspondent points out, used to be between £P 2½ and 3½ millions a year.—EDITOR.]

Books and Publications

Shorter Notices

The Jewish War Front. By V. Jabotinsky. (London: 1940). George Allen and Unwin. 7s. 6d.

It is in one of the last chapters of this remarkable book that the late Vladimir Jabotinsky, one of the very few outstanding Jewish men of action, quite casually stresses the essential point of the Jewish problem and its possible solution. The first of all Jewish demands ought to be addressed to the Jews themselves: the demand for a united front. The author's considered opinion is that a definite solution of the Jewish problem is vital, not only to the Jewish people, but also to the health of the world, and that any solution attempting to make some kind of "ghetto" comfortable with the soft soap of a questionable "equality of rights" would not bring a satisfactory solution at all. But is the Jewish state for which M. Jabotinsky is striving an indispensable presupposition for a satisfactory solution? The economic, financial, technical and organisational difficulties of evacuating and settling millions of people within a comparatively short time would be enormous. The British Government would take a grave risk in committing themselves to the establishment of a Jewish State—and nothing but a Jewish State—in Palestine, as their war aim.

"The City: The London Financial Markets." By Bernard Ellinger. P. S. King & Son, Ltd. 429 pages. Price 20s.

Interest in this book must be mainly of a historical nature, for the author describes, clearly and with a good deal of detail, the City as it stood on the outbreak of war. Since then, some of the institutions he discusses have either all but disappeared or else been transformed beyond recognition. Nevertheless, the book is of considerable interest in its picture of conditions in the City between two wars, and in its summary and analysis of the controversies over such subjects as nationalisation of the Bank of England and the joint-stock banks. The author is, perhaps, inclined to be too determined to clear the banks from the charges brought against them for his conclusions to be quite objective.

"The Bankers' Almanac and Year Book, 1940-41." Proprietors, Thomas Skinner & Co. (Publishers), Ltd., published jointly with Waterlow & Sons, Ltd. 2,222 pages. Price 50s. net.

The ninety-sixth issue of that valuable publication, the Bankers' Almanac, includes the balance sheets and other information of nearly 3,000 banking concerns. Its statistical material and general information on all matters affecting money and banking are as complete and useful as ever.

"The Anthracite Coal Industry of the Swansea District." By A. E. C. Hare. Social and Economic Survey of Swansea and District. Pamphlet No. 5. University of Wales Press Board. 84 pages. 1s.

Anthracite accounts for over two-thirds of the coal production of the Swansea area; 40 per cent. of the adult male industrially-employed population of the district are engaged in anthracite production; and 75 per cent. of the coal exported through the port of Swansea is anthracite. This pamphlet is an admirably clear account of the place occupied by Swansea in the world anthracite market, the organisation of the industry and its prospects for the future.

Books Received

Lies as Allies, or Hitler at War. By Viscount Maugham. (London) H. Milford. 64 pages. 6d. net.

The Industrialization of Japan and Manchukuo, 1930-1940: Population, Raw Materials and Industry. By E. B. Schumpeter and Others. (New York) The Macmillan Co. 944 pages. \$7.50 net.

Australia and the United States. By F. Alexander. (Boston) World Peace Foundation. 68 pages. \$0.50.

Peace Aim Pamphlets. No. 4. *The Future of International Government.* By E. H. Carr and S. de Madariaga. 24 pages. No. 5. *The Economic Revolution.* By H. J. Laski and Others. 38 pages. No. 6. *The Spiritual Basis of Peace.* 27 pages. 4d. each.

Who is to Pay for the War? By D. Jay. (London) Kegan Paul. 64 pages. 1s. net.

Ambassador Dodd's Diary, 1933-1938. Edited by W. E. and M. Dodd. (London) Gollancz. 452 pages. 12s. 6d. net.

Fairplay's Annual Summary of British Shipping Finance, 1941. (London) Fairplay Weekly Shipping Journal, Palmerston House, Bishopsgate, E.C.2. 548 pages. 21s. 6d. post free.

Official Year Book of the Commonwealth of Australia, 1939. (Canberra) L. F. Johnstone, Government Printer. 990 pages. 5s. net.

The Financial Post Survey of Mines, 1940-41. (Canada and Newfoundland) The Maclean Publishing Company, Ltd.

Purchase Tax. By Ronald Staples. Taxation Publishing Company. 72 pages. 8s. 6d. net.

Europe at War. A History in Sixty Cartoons. By Low. 127 pages. *The Penguin Hansard.* Vol. III. 288 pages. (Harmondsworth) Penguin Books. 6d. net each.

Official Publications

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

Annual Report of the Chief Inspector of Factories for the Year 1939. Cmd. 6251. 1s. net.

Revenue Departments Appropriation Accounts, 1939. 9d. net.

Fourth Report from the Select Committee on National Expenditure. Session 1940-41. (18th Report in the Series 1939-40). 9d. net.

Civil Appropriation Accounts, 1939. 7s. 6d. net.

Sixth Report from the Select Committee on National Expenditure. Session 1940-41. 1s. net.

Concentration of Production. Explanatory Memorandum by the Board of Trade. Cmd. 6253. 1d. net.

THE TAXATION OF WAR WEALTH

by J. R. HICKS, URSULA K. HICKS and L. ROSTAS

12/6 net

"... The book is an example of the best type of economic research, combining the scientific approach with actuality. . . ."

—The Economist

WAYS AND MEANS OF WAR

by GEOFFREY CROWTHER

2/6 net

"... A brilliant pamphlet which is at once a classic of applied economics and a masterpiece of popular economic exposition. . . ."

—Times Literary Supplement

"... This is a really important book. . . ."

—Spectator

OXFORD UNIVERSITY PRESS

THE BUSINESS WORLD

Electric Power Companies

THE 1940 series of reports of the chief British electric power and supply companies may have a valedictory significance for stockholders, if the *decree nisi*, announced by the Minister of Information, is made absolute, and postponement of public utility accounts "by request" becomes a wartime rule. In that event, the figures will be the last statistical meal the investor in a deservedly popular share market is likely to have for some time, and he would do well, like the prophet before his forty days in the wilderness, to make the most of it.

The series is not quite complete, the returns of the London concerns—particularly the important "County Company"—being unavailable. The data, however, are sufficient to give a cross-section of results in many different areas of the country. Comment upon them must be restrained in the spirit of the new Government ruling, but it needs no subtle enemy intelligence system to suggest that last year's extensive movements of population, and of industrial activity and location, must have presented formidable problems to all the electricity generating and distributing organisations in this country.

Some questions, like the part played by the Grid system, and the measures successfully taken by individual companies to cope with physical difficulties in bombed areas, can only be adequately discussed when the war is over. But it is obvious that the chief factor in electric company profits—the load factor—varied widely from area to area last year, along lines which ran counter to those along which most companies had been planning their development during the preceding decade. The war came when the domestic and industrial electrification of Great Britain had made rapid progress, but was not near the end of its evolutionary stage. The following table shows the trend, since 1933, of net revenue of ten large concerns—three operating mainly in London, and the Home Counties, and seven in the Provinces and Scotland. Expansion, clearly, was a profitable process in the years immediately before the war:—

TREND OF NET REVENUE, 1933-40 (1933=100)

Company	1934	1935	1936	1937	1938	1939	1940
County of London	111	112	125	139	159	152	N.A.
Metropolitan	93	101	140	130	123	132	127
Northmet	112	116	125	133	143	131	N.A.
Northampton	92	93	99	117	129	135	150
Midland Counties	105	108	109	120	133	122	112
Lancashire	103	111	123	126	128	118	105
Yorkshire Electric	106	115	130	138	145	148	153
North-Eastern	108	109	123	140	157	158	168
Clyde Valley	114	124	132	166	181	199	195
Scottish Power	112	122	137	150	159	162	157

** Profit on sales of current, etc.

N.A. = Not available.

In the quinquennium ended 1938, the net revenue of the individual companies shown in the table rose by anything from one- to four-fifths. In 1939, which included the first four months of the war, the increase in net revenue was arrested in the London area and, on the whole, slowed down in the Provinces. In 1940, the difficulties of the companies in and near London were accentuated. Companies in other parts of the country had a more favourable, but rather mixed experience. Of the seven extra-London companies shown in the table, three reported an increase and four a drop in net receipts. The accounts issued to shareholders by the various concerns (which are usually holding companies) disclose an amount of detail which varies considerably from company to company. From the figures, however, of those concerns which show gross revenue and the chief heads of expenditure falling against it, it is clear that, among the big companies, only the London concerns have

suffered an appreciable setback in *gross* receipts. Comparing 1940 with 1938, the last full pre-war year, the Metropolitan Electric Company actually achieved an increase of 21 per cent in gross revenue, but this, as the chairman made clear at the annual meeting, was the resultant of a fall in receipts in the company's "London" area and a more than countervailing rise in its "Western" area, which lies outside the Metropolitan proper. In the case of the provincial companies, the expansion in gross receipts is impressive. Between 1938 and 1940, those of the Northampton company rose by 21 per cent, those of Yorkshire Electric Power Company by 23½ per cent, of North-Eastern Electrical by 11½ per cent, and of Clyde Valley Electrical Power by a figure which cannot have been less than 23 per cent, and was almost certainly more.

The increase in expenses, which more than offset this rise in numerous instances, was not common to all items. It was, in fact, largely concentrated on prime costs and on rates and taxes. Thus, the Metropolitan Company's cost of current rose, between 1938 and 1940, by 28 per cent. The generation expenses of the Northampton Company increased by 48 per cent, and the generation and distribution charges of the Yorkshire company by 46 per cent. Distribution expenses, on the other hand, have been fairly steady. Those of the Metropolitan company increased only slightly last year, while those of the Northampton company were no higher than in 1939 and only 10 per cent higher than in 1938. Management and general expenses, similarly, have not risen out of proportion to the increased work done, and though amounts set aside for depreciation have increased in some cases, the rate of expansion merely continues the normal peace-time trend. But rents, rates and taxes are substantially higher in every case, the rise in 1940 as compared with 1938 being, for the Metropolitan Company 74 per cent, for Northampton (rent and rates only) 44 per cent, and for Clyde Valley as much as 120 per cent. In short, even in the "prosperous" areas, the economies of an increased load have not always been enough to meet the higher operating costs and the exigence of the tax-gatherer, not to mention special requirements for A.R.P. and other expenditure.

As yet, however, the war has not seriously affected equity earnings, apart from those of the London companies. In practically every instance, the rate per cent earned, *before tax*, on ordinary shares was higher in 1940 than in 1939, and in some instances the rate of increase was quite considerable. This experience stands in sharp contrast to that of the last pre-war year, when the rate of net equity earnings declined in almost every instance.

TREND OF EQUITY EARNINGS (BEFORE TAX), 1933-40
PERCENTAGE RATE EARNED (1933=100)

	1934	1935	1936	1937	1938	1939	1940
County of London	83*	81*	109*	107	144	82†	N.A.
Metropolitan	92	108	140	131	110	107	76
Northmet	113	98	101	103	96	69	N.A.
Northampton	86	87	88	107	110	100	141
Midland Counties	101	106	109	115	138	138	145
Lancashire	100	108	115	101	107	96	100
Yorkshire Electric	80	84	96	110	84	78	133
North-Eastern	118	105	114	127	138	113	111
Clyde Valley	114	115	114	148	157	124	150
Scottish Power	105	115	116	128	138	167	173

* Before making provision for development expenditure. † On capital increased by approximately one-fifth. N.A. = Not available.

The percentage ordinary share earnings of practically all the provincial companies, "grossed up" for income tax, are running at a rate well above those of the majority

of pre-war years, though the increase is anything but uniform. For the time being, heavy capital expenditure on plans for further development, which practically all the companies had in hand before the war, are likely to be suspended. But capital invested in the pre-war period is becoming increasingly fruitful. As is shown by the table below, nearly all the companies whose results are being reviewed increased their ordinary capital substantially during the 1930's:—

PERCENTAGE GROWTH IN ORDINARY CAPITAL
(1940 compared 1933)

Company	Ord. Capital	Company	Ord. Capital
County of London	+24%	Lancashire	+81%
Metropolitan	+20%	Yorkshire Electric	+33%
North Met.	+52%	North-Eastern	Nil
Northampton	+20%	Clyde Valley	+50%
Midland Counties	Nil	Scottish Power	+19%

Electric supply company dividends have a merited reputation for stability, and the advent of war has not impaired it, except in the London area, where reductions have been practically universal. Our final table reveals that all the provincial companies are still paying dividends at pre-war rates before tax, with an ample and increased marking up of earnings in most instances.

Yields obtainable on electric supply company stocks, at present prices, are low enough to put these securities into the "gilt-edged equity" class, and there is no clearly marked differentiation, in this respect, between the London and non-London companies. The market, in fact, appears to be working on the assumption that the companies have by now largely adjusted themselves to war conditions, and that, while those in "distressed" areas are unlikely to suffer any really serious further worsening of their position, the outlook for the others

ORDINARY EARNINGS AND PRICES

Company	Earned for Ordinary (%)			Paid on Ordinary (%)			Present Price	Yield (%)
	1938	1939	1940	1938	1939	1940		
County of London	20.6	11.7	N.A.	10½	10½	8	s. d.	5.24
Metropolitan	11.8	10.9	7.7	10	10	8	30 6	4.96
Northmet	11.5	7.2	N.A.	10	10	8	29 0	5.51
Northampton	15.2	13.8	19.4	11*	10	10	41 3	4.85
Midland Counties	11.7	11.7	12.3	8	8	8	35 6	4.50
Lancashire Electric	8.0	7.2	7.5	7½	7½	7½	31 6	4.76
Yorkshire Electric	8.1	7.6	12.9	8	8	8	38 1½	4.19
North-Eastern	8.7	7.1	7.0	7	7	7	27 5	5.09
Clyde Valley	11.3	8.9	10.8	8	8	8	35 0	4.37
Scottish Power	17.4	19.8	21.8	8	8	8	36 0	4.44

* Including 1% special bonus. † Approximately 7½%, after allowing for change in income-tax. N.A. = Not available.

is relatively reassuring. This, of course, suggests that the market is taking an optimistic view of such unknown factors as future war damage and the treatment likely to be meted out to the industry in the forthcoming Public Utility Damage Bill. But the gross revenue position seems, in general, secure for the duration. The power demands of the war programme are widely spread geographically. The end of the rise in costs may not yet be in sight, but the industry is highly efficient and, apart altogether from any further adjustment of its charges, it can look for new economies in marginal costs with every fresh increase in load. The spread of its services over many different classes of consumers has already stood it in good stead; for, outside the war-depressed districts, increased industrial demand has already more than compensated for reduced lighting demand owing to the black-out. Altogether, electric supply stocks seem to have a serious claim on the attention of equity investors who wish to combine a not ungenerous income during the war with excellent prospects when hostilities are over.

The Torrent of Liquidity

THE financial situations of well-nigh every country in the world, belligerent, non-belligerent and neutral alike, share one common characteristic: an exceptional abundance in the supply of short-term credit and in the means available for its investment. War is being waged and neutrality defended on cheap and abundant money. The explanation of this world-wide phenomenon is also one and universal. The torrent of liquidity gushes in every case from unbalanced Budgets. In only one country can a supplementary explanation be advanced, namely the chronic magnetic attraction for gold which has drawn to the United States about four-fifths of the world's reserves of the metal.

It is not difficult to understand the scale and universality with which Budgets are being unbalanced to-day. Never has belligerency been as expensive as it is in its present form of total war. Non-belligerency, as exemplified by the United States, is scarcely less costly. As for neutrality, never in previous wars have its virtues been so poorly rewarded as they are at present, with the trade of the world utterly disorganised, materials piling up in producing countries and prevented by blockades and counter-blockades from reaching their normal markets. The efforts required by total war have proved altogether too violent for the survival of budgetary orthodoxy. It has collapsed to the point at which we have come to regard as creditable the achievement of a 50 per cent cover of expenditure out of tax revenue, leaving the balance to be met by borrowing. The United States has lived on unbalanced Budgets since the beginning of the New Deal era, and the deficits must inevitably grow larger as the Lease-and-Lend Act gets into its stride. Neutral countries, such as the South American republics, are all struggling with the problem of unsold produce, which calls for subsidisation in one form or another, and has in nearly all cases wrecked budgetary equilibrium.

It remains to be explained why the consequent resort to the capital market should, in nearly all countries concerned, have taken so largely the form of short-term borrowing, with its customary direct approach to the banking system and the appropriate inflation of the credit structure. In the case of the belligerent countries,

the amounts to be borrowed have proved too large to be provided by public subscriptions to medium or long-term Government loans. The alternative and easy resort to direct short-term borrowing from the banks has proved inevitable and irresistible. The experiments made over the past decade in the technique of credit management have tended to predispose Treasuries towards greater use of the short-loan market. The now long-established independence of currencies from rigid gold parities has certainly removed some of the inhibitions which formerly might have deterred Governments and their financial advisers from excessive recourse to short-term borrowing and from the consequent manipulation of the volume and price of short-term credit. On the side of the demand for investments, there have been strong forces favouring this particular form of deficit financing. The uncertainties of the immediate outlook have created a "liquidity preference" which hard-pressed Governments have been only too willing to satisfy and press into service.

A few illustrations will serve to reveal the process at work. They may be drawn from the available data regarding the national finances and the banking position in the United Kingdom and Germany—the total belligerents—Japan, which is engaged in a mere "incident," the United States, a fully-fledged non-belligerent, and France, an ex-belligerent.

In each case cheap money is the order of the day. Great Britain began the war with a Bank rate of 4 per cent, but it was quickly brought back to 2 per cent. In Germany the Reichsbank rate is 3½ per cent, having been reduced from 4 per cent in April, 1940. In Japan the official discount rate has remained unchanged at 3.29 per cent since April, 1936. The discount rate of the Federal Reserve Bank of New York stands at 1 per cent, the lowest in the history of Bank rates. The Bank of France rate has remained undisturbed at 2 per cent since January, 1939.

In the United Kingdom, the floating debt has risen since the outbreak of the war by £1,646 millions, or rather more than half the shortfall of revenue below expenditure for that period, namely £3,024 millions. The expansion in the floating debt, however, considerably overstates the direct borrowing from the banking

system. No less than £750 millions of the increase represents the increase of Treasury bills issued through the tap, mainly to the Exchange Equalisation Account as the counterpart of gold losses, but also through the investment of other extra-budgetary funds. Moreover, of the rise of £345 millions in Treasury bills issued through the tender, an appreciable part has gone to sterling area central banks and other overseas issuing authorities which have been accumulating sterling. Though this may not be inflationary borrowing, it has contributed to the liquidity of the London money market. The remaining constituent of the increase in the floating debt is the £430 millions borrowed through Treasury deposits up to March 31st last. This direct borrowing from the banks provides the main counterpart of the increase of £463 millions in London Clearing Banks' deposits since the outbreak of the war. In the light of these figures, the dependence of the Exchequer on genuine short-term borrowing will be seen to have been comparatively moderate. Nevertheless, it is the growth in the floating debt which has provided the main factor in the expansion of bank credit. Since the outbreak of the war, and up to the end of March, bank deposits had risen by £419 millions. Treasury deposits, the new form of short-term direct borrowing from the banks, provided the counterpart to no less than £374 millions of this total.

In Germany, the recourse to short-term borrowing has been both absolutely and relatively greater than in this country. It is, moreover, of longer standing, since German national finances found their war footing about four years before the outbreak of the war. By 1938 the deficit had reached what by peace-time standards must be regarded as astronomic and certainly foreboding proportions. In the course of that year the national debt in Germany rose by Rm. 11,220 millions, of which Rm. 376 millions was floating debt. In 1939, the total debt rose by Rm. 21,240 millions, of which as much as Rm. 15,516 millions was borrowed on short term. In the first nine months of 1940, the total debt had risen by another Rm. 23,762 millions, of which Rm. 12,963 millions was added to the floating debt. The German money market has been sedulously nursed to ensure the ready absorption of these enormous issues of short-term paper, and the open market discount rate has been falling gradually, declining from an average of 2½ per cent for 1939 to around 2¼ per cent. The growth of bank deposits in Germany has outstripped the comparable movement in this country. In the course of 1940 the deposits of the Berliner Handelsgesellschaft and of the Commerzbank—two representative German banks—rose by 49 per cent, while over the same period German savings banks deposits increased by 30 per cent.

In Japan, the succession of budgetary deficits is of even longer standing than in Germany. Until quite recently, however, it has been covered mainly by medium and long-term borrowing, though admittedly this has been extracted in the main from a draconically regimented banking system. In 1938, the internal debt rose by Yen 4,548 millions, of which only a mere Yen 40 millions was in the form of floating debt. In 1939, the corresponding figures were Yen 5,544 millions and Yen 100 millions respectively. For the first seven months of last year the debt rose by Yen 3,300 millions, of which Yen 136 millions was added to the floating debt. The volume of banking credit has kept pace steadily with the budgetary deficit and the rise in the national debt. In 1938, commercial bank deposits averaged Yen 15,073 millions. By the end of 1939 they had risen to Yen 19,798 millions, and by the end of last September they stood at Yen 21,605 millions. Even more striking has been the rise in savings banks deposits, namely from an average of Yen 6,946 millions in 1938 to Yen 8,937 millions at the end of 1939 and Yen 11,042 millions at the end of last September.

In the United States the liquidity of the credit position must be explained in somewhat different terms. The potential of credit expansion in that country has been created by the persistent gold inflow. But, as in the case of the other countries discussed above, it is mainly the budgetary deficit which has translated that potential into the expansion of bank credit which has taken place since the New Deal started the long sequence of United States deficits. Recently, the impact of war orders by the Allies has been felt as an equally potent factor in the United States credit situation, and the consequent rise in bank loans to the armament industries will no doubt make further headway. Between June, 1933, and December, 1940, the national debt of the United States

rose from \$26,480 millions to \$44,458 millions. Over the same period the member banks' holdings of U.S. Government securities rose from \$6,887 millions to \$15,815 millions and their loans from \$12,858 millions to \$15,302 millions—by far the greater part of this last increase taking place in the last six months of this long period. Thus it is in the member banks' participations in successive Government issues that the mechanism of credit expansion has operated. But the basis for its operations has been laid by the large annual inflow of gold and the consequent expansion in member banks' reserve balances with the Federal Reserve Banks. At the end of 1940 the member banks had reserve balances of \$14,026 millions, of which \$6,615 millions were excess reserves. The best evidence of the consequent condition of over-liquidity in the money market is provided by the rates quoted for U.S. Government paper. The yield on three to five-year U.S. Treasury paper, which averaged 0.83 per cent in 1938, had fallen to an average of 0.50 per cent for 1940 and is now around 0.43 per cent. The market rate on three months' Treasury bills averaged 0.04 per cent in 1940 and has now fallen to 0.02 per cent.

All that need be done to describe the liquidity of the French credit situation is to draw attention to the recent increase in the limit of the Bank of France's advances to the State. At the time of the German invasion of France the limit of these advances stood at Frs. 45,000 millions. A further grant of Frs. 25,000 millions "for general purposes" was made on June 12th last. In August a further advance of Frs. 50,000 millions was granted to meet the costs of the German army of occupation. Since then the amount authorised has been successively raised to Frs. 65,000 millions, Frs. 73,000 millions, Frs. 85,000 millions and Frs. 100,000 millions. Given the economic prostration of the country, this particular form of credit expansion exceeds in its virulently inflationary implications any of the corresponding phenomena noted in the other countries mentioned.

The world-wide inflationary potential is, for the time being, held in fairly effective check. It is kept dormant by such factors as official controls of prices, of consumption, of alternative means of investments, of profits and dividends. It is also being neutralised by the inevitable deterrent of war to normal economic enterprise. But this vast growth in liquid investments cannot for ever be dammed up and kept isolated from the structure of world prices. The international growth of short-term debt, and indeed the larger growth in all fixed-interest-bearing debt, of which it forms a part, must make for eventual depreciation in the purchasing power of money on a scale larger even than has been evident since the outbreak of the war. It seems highly unlikely that after the end of this war we shall revert to the almost evenly matched cycles of inflation and deflation which characterised the nineteenth and the first four decades of the twentieth centuries. The pull of a metallic standard and of immutable mint parities has probably ceased to operate for ever. It is probable that we shall revert to the broad historical trend of monetary values, i.e. towards slow but steady depreciation of the purchasing power of money. The principal interruptions to this trend were those provided by the Dark Ages, when the discovery of fresh precious metals was almost at a standstill, and by the nineteenth and early twentieth centuries, when, with the gradual adoption of the gold standard, the fluctuating supply of gold became the main determinant of price movements. This more or less arbitrary influence on prices lost its power with the abandonment of the rigid parities of the former gold standard. At the close of this war there will be ample inflationary potential to carry further the gradual depreciation of money, and in the immense tasks of reconstruction there will be more than adequate material for harnessing that potential. On the other hand, there will be no desire "to look the dollar in the face," or other conventional monetary criterion to urge us on the road of contraction, retrenchment and deflation. The monetary history of the world provides, with the broad exceptions already mentioned, one long illustration of the safety valve of currency depreciation easing the load of debt which otherwise would have stifled all economic progress. Given the rate at which national debts are piling up the world over, the need for such indirect alleviation of the real weight of debt will be stronger at the end of this war than in any previous period in history. The task will then be to evolve practical methods of avoiding the disasters to which an over-rapid decline in the value of money has always given rise in the past.

Finance and Banking

Where the Treasury Bills Have Gone

The analysis of the sources of war finance contained in the White Paper issued this year with the customary Financial Statement provides valuable clues to the destination of the Treasury Bills issued through tender and tap in the first year of war and in the subsequent six months to February 28th last. The essential material may be summarised in the following table.

	In £ millions	
	Year to Aug. 31, 1940	Six months to Feb. 28, 1941
1. Increase in Treasury Bills held by the Market	458	—29
2. Increase in Fiduciary Issue	50	
3. Sales of pre-war Resources of Exchange Account	184	204
4. Sales of Overseas Capital Resources acquired by Treasury since outbreak of war	358	275
5. Increase of Overseas Balances in London		
6. Extra Budgetary Receipts of Public Departments other than Exchange Account	113	90
To these data may be added the following figures of changes in the Treasury Bill issue:		
7. Bills issued through tender	336	9
8. Tender Bills issued to market syndicate (included in item 7)	199	—136
9. Bills issued through tap	424	327

These figures shed light on many points which hitherto can only have been the subject of vague estimates. In the first place it will be seen that during the first year of war the Treasury Bills held by the market increased by appreciably more than the increase in the total of bills issued through the tender and that their expansion exceeded by an even greater margin the corresponding movement in bills issued to the discount market syndicate. The explanation is not to be sought in the growth of sterling area and other overseas funds in London, since their investment is included in the Treasury's table with the sale of overseas capital resources. The chief explanation of the divergence is probably to be found in the practice of feeding the clearing banks direct with bills issued originally through the tap, a practice which was being discontinued in the course of July and August with the initiation of the Treasury deposits scheme, but which must have left an important volume of such bills outstanding at the end of August, 1940. Similarly, the net fall in bills held by the market in the subsequent six months, when bills issued through the tender actually rose by a small amount, must be explained as a result of the running off of these bills and their replacement in the banks' assets by Treasury deposits. The part played by the discount market in canalising this supply of bills was considerable in the first year of war, but fell off appreciably in the subsequent six months.

No accurate attempt can be made to relate the various items in the above table, but their juxtaposition gives a clear picture of the distribution of the Treasury Bill issues over this period. The bills issued through the tap, in addition to feeding some of the banks' requirements in the first year of war, were also issued to the Issue Department when the fiduciary issue was raised by £50,000,000, and were being turned over to the Exchange Equalisation Account throughout this period, as its pre-war resources were gradually being expended. Part of these tap bills may also have provided for the investment of the other extra-budgetary receipts. The counterpart of sales of overseas assets acquired by the Treasury since the outbreak of the war will probably be found for the most part in public subscriptions to the Government's medium term issues. On the other hand, the increase of overseas balances in London, which in the Treasury's tables is included with the preceding item to form one total, has probably found its main employment in the discount of Treasury Bills originally issued through the weekly tender. This

largely explains the considerable reduction in the amount of these bills placed through the discount market in the six months to the end of last February.

Bill Rate Prospects

With the gradual return of money from circulation and a further £5,000,000 increase in the Bank's Government securities conditions in the short loan market have this week become exceptionally easy. They would have been plethoric had it not been for the fact that the discount market is being called upon to take up a larger quota of bills than for many weeks past and that, in consequence, it has been a potential seller of substantial lines of bills to the banks. The banks for their part have been good buyers, some of them being prepared to take July maturities, though most of them have restricted their purchases to the June bills. The prevailing ease of money is well reflected in the latest Bank return, which shows bankers' deposits at the comparatively high level of £115,145,000, an increase of £13,693,000 over the previous fortnight. With more bills offering, there is some expectation in discount market circles of raising the rate of discount to a slightly higher figure than has recently obtained. The opportunity for making a change should occur next month, when the market will again be tendering for 92-day maturities as against the 91-day bills which are now the rule. This may therefore be made the occasion for dropping the application price by 1d. to £99 14s. 10d. At this price the return would be 1½d. over 1 per cent as against the return of 1½d. over 1 per cent earned on the present scale. The more generous figure would hardly justify the charge of profiteering.

Easter Circulation Record

The Bank of England note circulation rose to a new record over the Easter holiday week-end. On the Wednesday before the holiday the notes outstanding amounted to £618,718,000, comparing with the previous record of £616,904,000 set up last Christmas. By Wednesday of this week, although some reflux of notes from the week-end peak had begun to make itself felt, the circulation had advanced further to £622,203,000. Although the seasonal variations in the circulation have lost some of their sharpness, they persist with a regard for precedent which is surprising given the disturbance of usual holiday arrangements. The Easter spurt in the circulation brought the total of unissued notes down to £8,038,000 and the reserve ratio to the unprecedentedly low figure of 5.0 per cent. Though there has been some relief from this extremely strained position, it is evident that the situation is now shaping for another upward adjustment in the fiduciary circulation. Despite the effects of the Budget and of the Government policy of price stabilisation, there can be no doubt that the general trend of the note circulation continues upward. In the circumstances a further £50,000,000 increase in the fiduciary issue can hardly be avoided between now and the summer months, when once again seasonal factors will be exerting their influence on the circulation.



**FOR ALL
INSURANCE
NEEDS**

Head Offices:
LIVERPOOL LONDON
North John St. Lombard St.

Treasury Bill Offer Raised Again

After remaining for two successive weeks at its recently increased level of £70 millions, the total of Treasury bills to be offered at the weekly tender has again been raised by £5 millions. The £75 millions to be tendered for on Friday of this week is £10 millions in excess of next week's maturities. The discount market syndicate will automatically raise the aggregate quota of bills for which it tenders to the higher figure of bills on offer, and though its proportionate allotments may not benefit spectacularly from the increased offering of bills, its allocation of bills, in absolute terms, should increase materially, assuming the weekly issue to remain for some time at or above £75 millions. Especially is this so as the official "outside" tendering for bills should for some time be tempered by the disappearance of India Council funds absorbed by the recent vesting order. At last week's tender the applications showed a drop of about £8 millions, and the market was able to increase its allotment from the previous week's 26 per cent to 30 per cent of the £70 millions quota.

*

This is the time of the year at which the expansion in the floating debt is normally at its steepest. The decision of the authorities to spread that expansion over the Treasury bill as well as the Treasury deposit issue has probably been dictated by the requirements of the banking position. Owing to the outside competition for

Treasury bills, the clearing banks' holding of bills discounted has in recent months fallen to unprecedentedly low proportions. Last month the bill portfolio had fallen to £194,170,000, which compared with £335,740,000 in March, 1940, when the customary seasonal factors depressing the bill issue were as much at work as they were last month. The latest total was admittedly beaten in March, 1939, at the height of the Treasury bill famine which accompanied the substantial losses of gold then being incurred by the Exchange Equalisation Account. But even then the ratio of bills to deposits was considerably higher than it was last month—8.85 per cent against 7.03 per cent. The banks have no doubt found some compensation for this serious drop in their bill holding in their accumulation of six months' Treasury deposits. But the compensation is by no means perfect. The Treasury deposit has not the elasticity of the Treasury bill, and in the assets structure of the banks it must rank decidedly behind the latter in the matter of liquidity. It is, therefore, to suit the convenience of the banking system that the current increase in the floating debt is being effected through Treasury bills as well as Treasury deposits. The discount market is fortunate in benefiting from this decision, since it still provides the main channel through which the bills issued by tender reach the banks. But it is the interest of the banks and not the specific claims of the discount market which were primarily studied and given their due weight before the decision to increase the Treasury bills issue was reached.

INSURANCE NOTES

Refuge Assurance.—Extracts from the life revenue accounts of this large industrial-cum-ordinary office, which has its headquarters in Manchester, are set out in the accompanying table. The figures speak for themselves, and for the most part need no comment. New business has, however, fallen away rather more than in the case of other offices of this class whose accounts have so far been reviewed; concomitantly with this expense ratios are lower, reduced first year costs on new business having more than offset higher expenses resulting from war conditions, these expenses including the supplementing of service pay of employees now with the forces. In common with other offices, the company is meeting in full claims on policies issued before the war which arise by reason of enemy action, even if the war risk is excluded from the policy cover.

The annual valuation was made on a strengthened basis in the ordinary branch, the rate of interest assumed being 3 per cent as previously, but in the case of participating policies 9½ per cent only

of the net premiums has been valued; in the industrial branch the valuation was again made on a 2½ per cent basis. Combined earned surpluses were £1,037,703 (£337,537 in the ordinary branch and £700,166 in the industrial branch) a reduction of £732,171; of this reduction £542,621 relates to the ordinary branch and is doubtless largely attributable to the strengthened valuation. No reversionary bonuses are being granted in the ordinary branch, interim bonuses, however, being continued at a lower rate; the system of bonus allowances in the industrial branch is likewise being maintained on a modified basis. The cost of providing for these bonuses is £175,744 (£75,744 ordinary branch and £100,000 industrial branch); £450,000 is allocated to investment reserve and shareholders receive £112,500, against £120,000.

The chairman (Mr. J. Wilcock Holgate) stated at the meeting that the aggregate value of the company's Stock Exchange securities, based on middle market prices, very materially appreciated during the

year under review and exceeded considerably the figure at which they appear in the balance-sheets, the investment reserve funds, aggregating £4,700,000, remaining intact. In addition to these free reserves there are unappropriated surpluses carried forward amounting to £1,421,331. British Government securities increased during the year by £3,744,997 and now stand at £30,193,321, 40·47 per cent of the total assets; as the chairman rightly pointed out, so high a proportion of this class of investment is not conducive to a high interest yield but does possess some favourable features, one of which is the resulting very satisfactory balance-sheet position.

* * *

Wesleyan and General Assurance.—This society, which operates on a mutual basis, celebrates its centenary this year. The main features of the revenue accounts are revealed in the accompanying table. Liabilities were valued on the same bases as last year, with interest at 3 per cent in both ordinary and industrial departments and after making provision towards meeting excess mortality likely to arise from the war, the earned surpluses disclosed amounted to £287,873 (£119,866 in the ordinary department and £168,007 in the industrial department); this is higher than in 1939, in which year, however, the surplus had to carry the strain of converting the valuation basis in the industrial department from 3½ per cent to 3 per cent. Ordinary department policyholders are being allowed a simple reversionary bonus of £1 per cent, costing £82,344, and £20,000 is being utilised for bonuses to industrial policyholders; a noteworthy feature is that £20,000 of the profits in the industrial department is applied for the benefit of ordinary department policyholders. £50,000 has been transferred to investment reserve and £35,000 to general reserve, but £10,000 has been taken from the latter: reserve to strengthen the valuation basis in the capital redemption department, so that the net addition is £25,000. The staff pension fund receives £65,000 and bonuses to outdoor staff absorb £20,000.

In the balance-sheet mortgages represent nearly one-quarter of the total assets. It is certified that the assets are in the aggregate fully of the value stated, less the investment reserve of £600,000. There is a general reserve of £150,000 and surpluses carried forward unappropriated total £119,778.

Investment

Marking Time

The investor had scarcely time to digest the new Budget provisions before he was plunged into a fresh set of uncertainties by the German advances in the Balkans and Libya. It is far too early as yet to assess either the course, or the importance, of this joint campaign, but its immediate repercussion on the stock market has been twofold—namely, to dry up business and to reverse the trend of quotations for all stocks directly affected. In consequence, such securities as Egyptian Unified, Anglo-Iranian, and through them Burmah Oil, have touched new low levels for the current year to date, while Greek loans are at or near their worst. The rest of the market has varied between easy and weak, with few falls of importance, and virtually no selling. In a general way, those short of stock find it difficult to even up their positions, and, failing any reverse in the field of unexpected dimensions, it is reasonable to assume that there will be a resumption of selective buying as soon as the outlook is a little less uncertain. The foundations for this belief remain the reinvestment demand, so often referred to in recent months, and the fact that the Government attitude towards the crucial question of allowing industry to establish some reserve against post-war reconstruction is slowly becoming more sympathetic. On the former point, there is some evidence that the vesting of dollar stocks, and the repayment, or vesting, of Dominion issues may be even nearer than it seemed a few weeks ago. Despite the recent payout, Indian funds in London are still high, while Canadian sterling balances are accumulating fast, and the New Zealand Prime Minister has just announced a rise of £20,000,000 in the Dominion's London funds since the beginning of the year. In general, the growing "outside" applications for the increased amounts of Treasury Bills at the weekly tender point to the probability of action, early rather than late, to deal with some of this excess. In the case of Canada, vesting seems to be indicated; for other Dominions there are the alternatives of vesting and repayment of maturing loans. The Commonwealth and States of Australia have some £47,500,000 of optional maturities, which fell in last year, in addition to £11,500,000 of 3 per cent stock 1939-41, while New Zealand has over £13,250,000 3½ per cent repayable 1939-45, which could be paid off at any time, unless it were preferred to vest other stocks carrying a higher nominal rate of interest, of which there is a wide choice. Whichever alternative is chosen, the effect will be a growing demand for stock, which can only be satisfied by the tap issues of Government securities, or purchase of the fixed amount in the market. The offset provided by drafts on private and institutional savings is not likely to be large in comparison.

* * *

Municipal Conversion Option

Further particulars as to the pending municipal conversions, now available, suggest that the minimum life of the new stocks will be 24-25 years and that the right to convert will remain open for two months, in the case of those stocks subject to three months' notice of repayment, and for five months, where the notice period is six. This is a most unusual procedure, although not unknown. Presumably, the reasoning is that the longer the right remains, the more holders will convert and, in the particular conditions of the moment, this may well be the case, since reinvestment demand is likely to exert a favourable pressure. It is also permissible to hope that by the end of June, when the shorter period expires, the war outlook will be less uncertain than at present. In the ordinary way, it would be safe to assume that what is in effect a free option on the gilt-edged market for two or five months, would add something to the value of the maturing stocks. As things are, business in most of them has been very restricted for some months past, any stock coming on the market being snapped up by the money houses. Once the terms are officially announced, it is possible that these institutions will be ready buyers at rather over present prices. In this case, their desire to take maturing stock will be based on the expectation of a small premium on the new stock, issued in exchange, and not

on the desire to take cash on maturity, a transaction which would not be likely to win official approval. With little over ten days to go before May 1st, few authorities have so far announced their application for permission to convert, but it is safe to assume that a large sum will, in fact, be dealt with on May 1st.

* * *

Stock Exchange Finance

The appearance of the report of the Stock Exchange, London, for the year to March 25th, provides some indication of the impact of total war, and the control of financial markets, upon this important element in the organisation of the national savings. Total income fell by almost £203,000, or some 43 per cent, and, despite a small saving in costs and a reduction of £43,500 in taxes, the net figure available is a mere £6,163, compared with £150,607. In consequence, the proprietors receive no dividend and the carry forward is increased by a very moderate amount to £198,483. During the current year income is likely to be further reduced, but it is possible that the Trustees and Managers will draw on the carry forward rather than make a further issue of debentures, or a new call on the shares, on which the liability is unlimited. The actual membership of the exchange has declined only slightly, although there was a heavy fall in new entrants, but serving members, and clerks, retain their rights without paying full subscriptions, and this, together with the fall in entrants, is the main reason for the sharp drop in income. Some 1,156 members and 1,041 clerks—that is, house and room clerks, not office employees—have joined the forces, and the result of this, and of retirements, is a reduc-



Wanted now!

For urgent
Government work

Modern Accounting
Machines

Adding & Listing Machines

Calculating Machines

These machines are required for use mainly in Aircraft and Armament Factories for the production of Payroll Records, Stores Accounts, Purchase Ledgers and Cost Records. Machines should be in good mechanical condition and offers showing make and model and whether available for Sale, Hire or Loan should be addressed to:

H.M. STATIONERY OFFICE,
SUPPLIES DIVISION (S.3.),
PRINCES ST., LONDON, S.W.1

tion of some 41.5 per cent on the year in the population of the actual market and settling room, with possibly an even larger drop in ordinary office employees, as well as some replacement of men by women. Although it is possible that there will be no further falling off in business, there is every prospect of a considerable further reduction in the numbers engaged, and some brokers are already beginning to find difficulty in carrying out their task with the expedition and accuracy to which they are accustomed.

Argentine Railway Outlook

A semblance of life has been given to the market in the junior stocks of the British-owned railways of Argentina by the news of a fresh application by the companies to be allowed to increase their fares. This really does little more than call attention to the similar application made last autumn, and although more than one company chairman has expressed hopes that the result would be favourable, there is little real evidence that the concession will be granted in the near future. If it were, it would still be the case that the remedy was lagging far behind the growth of the disease. In the first half of last year there was a deterioration in peso receipts of some 19½ millions, and in the second half of some 17 millions against the previous year, when receipts were already unsatisfactory. Recent figures have shown some improvement on a year ago, due to exports to Spain, but there is no indication that the problem of providing export markets for the Republic is likely to be solved. Until this is done, the outlook for railway stockholders must continue gloomy. Not only will both inward and outward traffic remain small, but there will be a fresh threat to the stability of the peso and of further restrictions on the transfer of such currency balances as the companies are able to accumulate. It is possible that the Willingdon report, whose appearance is expected in the not distant future, may contain suggestions immediately applicable, as it will certainly furnish valuable information on a position which remains obscure in its details, however evident its general nature may be.

Cunard Results

The latest results of the Cunard group, relating to the calendar year 1939, show a substantial improvement in gross earnings, and a further gross rise for 1940 is forecast by the chairman, Sir Percy Bates, in his speech circulated with the report. Thus, total income of *Cunard White Star*, the leading operating company, rose from £6,949,959 to £7,586,883 in a year which included four months of war. Since general expenditure on renewals and repairs was reduced from £6,442,204 to £5,956,374, the company was able to place £1,032,211, against nil, to depreciation of ships and £124,531 to reserve against cash and balances in European countries, while reducing the free surplus only from £461,887 to £421,499. It was, however, necessary to provide £976,280 for depreciation of ships in 1938, which absorbs the whole of these sums and reduces the carry-forward from £223,152 for 1937 to £130,257. The rise in gross profits of *Cunard Steam Ship*, which holds 62 per cent of the *Cunard White Star* capital, from £359,309 to £387,573 leaving a free surplus of £63,443, which is wholly devoted to raising the carry-forward to £277,528, does little toward wiping out arrears on preference capital, which have been accumulating since the end of June, 1931. Sir Percy Bates points out that one further payment of £10,000 discount and commission on 5 per cent Mortgage Debenture stock will finally extinguish this charge and that, during the current five-year period, the company is empowered to repay the issue in whole or in part. *Cunard Steam Ship* lost one Mediterranean vessel, the *Bosnia*, by enemy action, although generally satisfactory results were obtained in this area in 1939. The chairman also informs stockholders that, since the date of the accounts, the remainder of the shares, amounting to 40 per cent of the ordinary capital, has been acquired in *Thos. and Jno. Brocklebank*. Agreement of requisition terms with the Government was complicated by the existence of the Treasury share in control of a number of *Cunard White Star* vessels, and this delay was partially responsible for the late publication of the 1939 accounts. Sir Percy considers that the terms now agreed represent a fair compromise, but it is hardly possible yet to estimate the movement of net earnings in the past year. Insurance receipts on vessels sunk exceed book values, but are

well below replacement cost, while deferred maintenance will have to be provided for, with, possibly, further writing off of assets in Europe. On the whole, the prospects of an immediate reduction in preference dividend arrears does not appear substantial. *Cunard Steam Ship* 5 per cent first cumulative £1 preference stock now stands at 36.

Alliance Trust Report

The full accounts of Alliance Trust for the year to January 31, 1941, show that gross revenue is almost maintained at £648,512 against £668,301. Management and general expenses have been strictly controlled during the year, showing only a moderate rise from £28,369 to £28,959, and, despite an inevitable rise in the tax provision from £151,161 to £200,463, the surplus for ordinary capital is reduced only from £286,327 to £244,174. At this level, it represents a rate of 42.9 against 42.3 per cent, thus providing ample cover for the ordinary dividend, which is maintained at 25 per cent. After transferring £100,000 to contingent fund, as in the three previous years, the carry-forward is £2,072 higher at £61,095. Since the accounts cover the first full-year of wartime conditions, the past year's profits must be regarded as highly satisfactory. They are, of course, largely a reflection of the extent to which industry as a whole has contrived to maintain a stable dividend policy in the early months of the war. There is little prospect that stockholders, either in investment trusts or in industrial concerns, can indefinitely be protected against the impact of rising costs and taxation, but Alliance Trust continues to maintain a substantial margin of cover for the ordinary dividend. The balance-sheet valuation of investments, at or under cost, shows a further reduction from £11,455,860 to £11,398,996. The £100 ordinary stock, at £460, yields £5 12s. per cent.

Union Corporation Group

Geduld ore reserves were more than maintained at 9,000,000 tons with a slight fall in grade to 4.5 dwt., and development on the Black Reef has started. Profits were higher than in 1939, but with increased taxation the dividend is cut from 16s. to 15s. The major development in this mine is completed, and it will become increasingly dependent upon its large holding in *East Geduld*, and to a lesser extent in *Grootvlei*. *East Geduld* had another highly successful year: owing to the increase in the price of gold, 2,600,000 tons of 2.5 dwt. ore, already developed, were brought into the reserves. Moreover, development was expedited, and, in all, the reserves increased by a further 3,700,000 tons to 15,200,000 tons, averaging 5.2 dwt., a fall in grade of 0.5 dwt. Profits increased substantially, but taxation was higher, and dividends were maintained at 14s. *Grootvlei* also had another satisfactory year: a large tonnage of low-grade ore was included in the reserves, which showed an increase of 2,300,000 tons at 7,500,000 tons, averaging 5.2 dwt., a fall in grade of 0.3 dwt. As forecast, development in the Eastern portion of the mine is not so good as in the Western area. The plant is now crushing to its normal capacity of 120,000 tons a month, a figure which will be considerably increased when ore from *Palmietkail*, which has now been absorbed by *Grootvlei*, becomes available. The total dividend is raised from 3s. to 4s. 6d. per share, and should be further increased in the current year. The ore reserves of *Van Dyk* were increased by 500,000 tons to 3,100,000 tons, averaging 5.4 dwt., a fall in grade of 0.2 dwt., but are still not adequate, so that intensive development will be continued until the position becomes satisfactory. This factor, extensive minor faulting, a narrow reef in certain areas, and the cost of additional support to mine workings has raised working costs, but dividends are increased from 3s. to 3s. 6d. Plant is now running to capacity, but the ore reserve position must improve before any expansion may be expected. The intersection of the fault and excessive water has again restricted underground development in *Marievale*. Otherwise development has been satisfactory, and reserves at end-1940 amounted to 2,000,000 tons, averaging 5.7 dwt., an increase of 300,000 tons, but a decline in grade of 0.1 dwt. The plant is now crushing to full capacity of about 50,000 tons a month. A maiden dividend of 8d. has been declared and half-yearly dividends should increase. Development is at present in the centre of this very large property, and it is difficult to forecast results in the Eastern and South-

western sections of the mine. It can, however, be said that *Marievale* is the only property north of *Sub-Nigel*, on the eastern fringe of the Rand basin, which has prospects of a promising career.

Central Mining Results

The *Crown Mines* report shows that available ore reserves fell by 1,024,500 tons to 20,207,000 tons having a grade of 4.8 dwt., a decline of 0.2 dwt. The ore reserve position is so strong that the decline in tonnage should cause no anxiety. Working profit showed a substantial increase, but, with higher taxation, the dividend is reduced from 190 to 185 per cent. Owing to the great depth and poor ventilation in certain areas, refrigerating plants are to be gradually installed. *Crown Mines* is crushing over 4,000,000 tons a year, and is naturally dependent to a large extent on the supply of native labour. *East Rand Proprietary* had another difficult year. Ore reserves fell by 315,900 tons to 10,336,300 tons, averaging 4.9 dwt.—a fall of 0.2 dwt. in grade. Development in the central portion of the mine was restricted owing to ventilation troubles, and disclosures in the eastern and western sections showed no material improvement. Rock pressure trouble was also experienced during the year in the central sector, but these difficulties are being overcome, and the underground position should gradually improve when the new ventilation plans come into operation. In spite of the increased taxation, available profits were almost maintained and the total 3s. 6d. dividend was repeated. *Rose Deep* was again able slightly to increase its ore reserves by 24,400 tons to 2,424,800 tons at 3.9 dwt., a fall in grade of 0.1 dwt. Development was mainly in the Southern Section, which gave erratic and generally disappointing results. Capital expenditure was reduced and dividends total-ling 2s. were paid, as against 1s. 9d. for the previous year. Ore reserves of *Geldenhuis Deep* showed a further decline of 147,200 tons to 837,600 tons, averaging 3.3 dwt., a further fall of 0.2 dwt., and represents about one year's supply. A capital repayment of 2s. 6d. a share was made during the year. Profits are tending to fall, but a dividend of 4s. was paid on the reduced capital. The life of *Geldenhuis Deep* is, of course, very limited.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

SCARCITY of business was the outstanding feature of the stock markets both before and after the Easter holiday. Discouraging news from the Balkan war zone and from Libya contributed to the smallness of turnover, assisted no doubt by holiday influences. A definite setback in most sections on Tuesday did not lead to continued selling pressure, and, in midweek, price changes were extremely narrow, while the gilt-edged market showed signs of rallying. On the whole, the tendency in all sections was for prices to fall moderately. For obvious reasons, the foreign bond and oil markets suffered rather more severe losses.

On Good Friday, hardly enough business was put through to test prices, but a number of stocks continued to lose ground after the general selling of the previous day, so that, before the week-end, 2½ and 4 per cent Consols, 3½ per cent War Loan, and all the Funding issues lost ½ on the midweek quotation, while 3½ per cent Conversion fell ¼. Further losses of ¼ were suffered on Tuesday by such leading investment issues as 2½ and 4 per cent Consols and 3½ per cent Conversion and War Loans, and various Indian stocks were lower on balance. In the foreign bond market, the chief casualties were, understandably, Egyptian and Greek issues, while certain central European bonds, including Austrian 4½ per cent and Czech 3 per cent stock, were lower in sympathy. The chief falls in Egyptian issues took place on Tuesday, when Egyptian Unified slumped 4½ points and Egyptian 3½ per cent loan 5 points. On the same

day, Greek 7 per cent lost 1 point. Far Eastern bonds were dull on news of the conclusion of the Russo-Japanese Neutrality Pact, and, after the week-end, the Japanese 5 per cent issue of 1907 and the 6 per cent issue of 1924 both lost 1½ points. Brazilian funding issues were again out of favour, and the San Paulo Coffee loan lost ground.

There was little support for home or foreign rails over the Easter holiday. Losses were concentrated on the ordinary stocks of the main line railways, but some of the senior issues also came under pressure. Thus, Berwick 4 per cent 1st preference lost 1 point on Tuesday, when Great Western ordinary, LMS ordinary and Southern deferred all eased ¼ point and Southern preferred was ½ point lower. Among foreign rails, there was some demand for Argentine issues on the prospect of an increase in charges, and Bengal and North Western remained in demand. Canadian Pacific preference was marked down in a small way.

There was little business among industrial issues, and the post-budget rises in brewery and tobacco shares rendered them all the more liable to attack. The tobacco leaders lost ground daily, and, in the brewery section, Barclay Perkins, Distillers, Watney Deacy and Ind Coope were all quoted lower. The general weakness extended to electrical equipment issues, among which Associated Electrical Industries, GEC, Crompton Parkinson and W. T. Henleys all suffered, and, in the textile group, Courtaulds, Coats and British Celanese experienced small losses before the weekend. The heavy industrial group remained relatively firm, but

Maypole Dairy Meeting

In his speech at the annual meeting of Maypole Dairy, Sir George Schuster showed that this concern, as well as the Home and Colonial group proper, is finding that the burden of war taxation trenches deeply into earnings. The facts are interesting since last year the company's total profit, after depreciation, at £393,531, was slightly in excess of the £382,610 for 1938-39, the last year of normal peacetime earnings. In the earlier year, the company reserved £35,000 for taxation, and retained a free surplus of £207,610 from which a dividend of 9 per cent was paid to deferred shareholders. Last year, with a total tax reserve for income tax and EPT of £180,000, the surplus was reduced to £86,031, at which level it did not completely cover the reduced 4 per cent deferred dividend. The provision of £35,000 for contributions under the war damage bill to the end of the Maypole financial year is met by a draft on reserve. Sir George Schuster points out that EPT was deducted at a rate of only 90 per cent during 1940-41 and that liabilities under this head will be heavier during the current year. From the profit earning standpoint, the concern has always specialised in dairy produce and jam, all goods which are now either rationed, or, in the case of eggs, in short supply. Consequently, no redress is possible through extension of sales, although the company is doing everything possible to develop new lines. On the general question of war taxation, Sir George reinforced his criticism, made at the Home and Colonial meeting, that the present weight of taxation, and the practice of disallowing for exemption from income tax sums spent on many essential repairs, was responsible for an accumulating liability for renewals and replacements. Some of Sir George's points are met by concessions in the new budget, but there does not appear to be any change in the administration of EPT which overcomes the disability imposed on those concerns which suffered from depression during the base period. Even so the 20 per cent refund will be of material assistance. As to the possible bearing of other concessions nothing definite can be said until the Finance Bill is available. The 2s. deferred ordinary shares, at 1s. 6d., yield £5 6s. 8d. per cent.

among miscellaneous industrials, Boots, Associated Portland Cement, London Brick, Dunlop and Turner and Newall were all quoted lower. Hudson's Bay and Sudan Plantations also suffered small losses on Tuesday.

The commodity share markets reflected to the full the general weakness. Turnover in *kaffirs* was particularly small, but Sub Nigel led the market downward on Friday with a fall of ½, when *Grootvlei*, *Rose Deep* and "Sallies" were also losing ground. After the holiday, the market remained relatively firm, though there was no recovery in business. The rubber market also attracted a minimum of attention, and, in the oil market, geographical proximity to the Middle Eastern war zone gave rise to considerable selling. This was most marked on Tuesday, when both the ordinary and preference issues of Anglo-Iranian slumped, the former losing ½, while Burmah ordinary eased ¾. Shell Transport, after previous firmness, gave way ½, and the Trinidad issues were also lower. Selling in this market was continued in midweek, when Anglo-Iranian and Burmah Oil were mainly offered.

"FINANCIAL NEWS" INDICES

1941	Approx. Total Bargains in S.E.	Corres. Day 1940	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Apr. 10...	2,540	3,879	67.5	128.0
" 11...	1,428	3,683	67.1	128.0
" 15...	2,151	4,574	66.9	128.0
" 16...	1,936	4,138	66.9	127.9

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1941: highest, 73.7 (Jan. 17); lowest, 66.9 (Apr. 15). 20 Fixed Int., 1941: highest, 128.3 (Apr. 2); lowest, 126.1 (Jan. 2).

(Continued on page 586)

Industry and Trade

Unemployment in March

On March 17th the number of persons on the registers of employment exchanges was 458,000, a decline of 123,000 from February 10th and of 774,000 from August 14, 1939. The total number of registered unemployed last month included 364,000 persons wholly unemployed, 76,000 temporarily stopped and 18,000 normally in casual employment. Moreover, the wholly unemployed group included only 160,000 men. The unemployment problem has now been solved after nineteen months of war, though it should be possible to reduce even further the number of wholly unemployed. At the present moment Great Britain cannot afford the wastage of a single pair of hands. Moreover, employment in unessential and overstaffed occupations must now be reduced to the minimum compatible with the maintenance of the health and efficiency of the civilian population. This principle has been accepted by the Government, and its application is reflected in the revision of the schedule of reserved occupations and in the compulsory registration of men over military age and of women. But it is not enough to provide the machinery for transferring workers to the war effort. It is the speed of the transfer that counts.

* * *

Wages and the Cost of Living

One of the most important features of the Budget was Sir Kingsley Wood's announcement that a further rise in the cost-of-living index was to be prevented as a means of arresting the upward trend in wage rates and in the prices of manufactures. If Sir Kingsley Wood's announcement is the prelude to the introduction of a national price policy, it will mean a big step towards the closer control of the national economy. As the data given in the next Note show, workers' earnings rose, on the average, by nearly 30 per cent between October, 1938, and July 1940; and as the upward trend has continued, the average increase in earnings since October, 1938, must have been well above 30 per cent. The official cost-of-living index for March 1st showed a rise of 27 per cent over the figure for October 1st, 1938, when it stood at the same level as before the outbreak of war on September 1, 1939. It appears, therefore, that the rise in average earnings has exceeded the advance in the official index of the cost of living. The trend of the net return of capital employed in industry, on the other hand, has

(Continued from page 535)

New York

BEFORE markets closed for the Good Friday holiday and on Saturday, Wall Street sentiment was predominantly lethargic and business remained narrow and irregular. An improvement in the domestic labour outlook was largely nullified by the serious turn taken by military developments in the Balkans and in Libya, and, generally, the prevalent uncertainty held down turnover to a low level. This week, again, little business has passed. An incipient rally on Tuesday was cancelled later in the day by a more pessimistic reading of the labour outlook, and dealers were discouraged by the conclusion of the Russo-Japanese Neutrality Pact. Steel issues remained strong against the trend, although there were, in fact, few net falls on the day. The American Iron and Steel Institute estimates steel mill activity at 98.3 per cent of capacity, against 99.3 per cent in the previous week.

Total share dealings: Apr. 9, 580,000; Apr. 10, 360,000; Apr. 12, 290,000; Apr. 12, 290,000; Apr. 14, 460,000; Apr. 15, 450,000.

been downwards since the beginning of the war. The aggregate net profits of the 531 companies whose accounts were published and analysed in *The Economist* between January 1st and April 12th this year, show a decline of 11 per cent from the preceding year. The comparison is not exact, since net profits are struck after taxation, while workers' earnings are, of course, gross and there has been some increase in the taxation that falls on the lowest incomes. But the figures nevertheless serve to show that the trade unions will not be sacrificing their members' interests if they accede to the Government's wish for a stabilisation of wage-rates.

* * *

The Rise in Earnings

The analysis of earnings which appeared in the *Ministry of Labour Gazette* for November and December last year is summarised in the March issue with certain recalculations intended to make the 1938 and 1940 figures more comparable. Returns received from employers did not represent the different industries in the same proportions in October, 1938, and July, 1940. They have now been recalculated on the basis of the numbers actually employed at each date. Figures for Government industrial establishments have been added. As some of the firms which supplied data in July, 1940, did not give separate figures by age and sex, the earnings for men, women, boys and girls at this date are based on less than four-fifths of the total returns, and therefore are also not fully comparable with the figures for the earlier data. Subject to this qualification, the table on the next page shows, for the principal industries, actual average earnings in July, 1940, for men, women and boys, and the increase over the earnings in October, 1938. The earnings of girls under 18 ranged from 18s. 8d. in the paper, etc., group to 36s. 4d. in Government industrial establishments, and they averaged 22s. 4d. in all the groups. Their increases compared with October, 1938, ranged from 8.3 per cent in the food group to 45.6 in the treatment of mines products group, and averaged 20.7 per cent. When the average earnings for the separate industries are weighted according to the numbers employed in October, 1938, to eliminate as far as possible the effects on the general averages of changes in the numbers employed, the increase in earnings is approximately 27 per cent for all workers, 26 per cent for men, 32-33 per cent for boys and 18 per cent for

New York Prices

	Close Apr. 8, 1941	Close Apr. 15, 1941	Close Apr. 8, 1941	Close Apr. 15, 1941
1. Railroads				
Balt. & Ohio	3 3/4	3 1/2	Chesapeake & Potomac	2 1/2
Ill. Cent.	2 1/4	2 3/8	Gen. Elec.	3 1/2
N.Y. Cent.	12 1/2	12 1/4	Gen. Motors	4 1/4
Norfolk Pac.	6 1/2	6 1/4	Inland Steel	7 1/4
Penn. Pac.	24 1/2	24 1/4	Int. Nickel	47 1/4
Southern	32 1/2	32 1/4	Int. Harvester	20 1/4
2. Utilities, etc.			Liggett Myers	8 1/4
Amer. Tel. & Tel.	160	157 1/2	Nat. Dairy	13 1/4
Amer. Wks.	5 1/4	5 1/8	Nat. Distillers	20 1/2
Pac. Light	35 1/2	35 1/4	Nat. Steel	53 1/2
Pub. Sv. N.Y.	25 1/2	25 1/4	Proct. & Gamble	54 1/2
Sth. Cal. Ed.	24 1/2	24 1/4	Sears Roebuck	70 1/2
United Gas	8 1/2	8 1/4	Shell Union	12 1/2
3. Commercial and Industrial			Socoy Vac.	9 1/2
Amer. Metal	16 1/2	16 1/4	Stan. Oil N.Y.	35 1/2
Am. Roll. Mil.	13 1/2	13 1/4	20th Cen. Fox	5 1/2
Am. Smelting	38 1/2	38 1/4	U.S. Steel	53 1/2
Anaconda	38 1/2	38 1/4	West. Hose. El.	92 1/2
Briggs	19 1/2	19 1/4	Woolworth	29 1/2
			Yngst. Sheet	32 1/2

STANDARD STATISTICS INDICES (1926 = 100)

	Low Feb. 18, 1941	High Jan. 15, 1941	Mar. 2, 1941	Apr. 2, 1941	Apr. 9, 1941
347 Industrials	84.9	89.0	88.1	88.8	86.3
32 Ralls	25.4	28.0	27.1	27.5	26.8
40 Utilities	72.5	78.7	74.1	73.8	72.7
419 Stocks	73.3	82.1	76.0	76.4	74.5
Av. yield*	6.65%	6.13%	6.37%	6.31%	6.52%
	(c)	(b)	(a)	(b)	(c)

* 50 Common Stocks. (a) Jan. 22. (b) Jan. 8. (c) Feb. 11.

DAILY AVERAGE 50 COMMON STOCKS

	Apr. 3	Apr. 4	Apr. 5	Apr. 7	Apr. 8	Apr. 9
99-10	98-90	98-00	98-00	95-90	90-40	

1941 High: 105-80, January 10. Low: 92-40 February 14.

Capital Issues

Week ending	Nominal Capital	Conversions	New Money
April 19, 1941	£	£	£
To the Public	Nil	Nil	Nil
By Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	Nil	Nil	Nil
Net Savings Certs.	4,405,386		4,405,386
3% Defence Bonds (a)	4,568,420		4,568,420
2 1/4% Nat War Bonds	371		371
Ditto, 2nd issues (a)	10,447,568		10,447,568
3% Savings Bonds (a)	8,516,276		8,516,276

† Week to April 8, 1941. Total sales, Nov. 22, 1939, to April 8, 1941, £260,921,131. ‡ Week to April 8, 1941, making total since June 25, 1940, £444,432,619. (a) Total sales to April 8, 1941, £257,482,885. (b) Total sales to April 8, 1941, £299,259,889. (c) Total sales January 2, 1941, to April 8, 1941, £160,837,068.

Year	Including Conversions	Excluding Conversions
1941 (New Basis)	388,037,347	388,037,347
1940 (New Basis)	742,254,384	389,299,251
1941 (Old Basis)	387,483,160	387,483,160
1940 (Old Basis)	732,902,933	380,147,800

(Continued on page 540)

women and girls. Between the two dates under comparison, weekly wage rates rose by about 10-11 per cent. for a full week, exclusive of overtime. Almost all this increase in rates took place after the outbreak of war,

INCREASE IN EARNINGS BETWEEN OCT., 1938, AND JULY, 1940

Industry Group	Average earnings in week ended July 20th, 1940			Per cent increase over last pay week of October, 1938		
	Men (21 & over)	Women (18 & over)	Boys under 21	Men (21 & over)	Women (18 & over)	Boys under 21
Iron, stone, etc., mining and quarrying	74 10	...	37 10	24.7	...	25.4
Treatment of non-metallic minerals	84 9	39 0	42 4	27.6	21.5	36.2
Brick, pottery and glass products	77 10	33 0	34 8	23.2	18.6	25.3
Chemical, paint, oil, etc.	87 9	37 3	32 11	26.7	14.0	11.9
Metal, engineering and shipbuilding	102 5	43 10	36 7	36.6	31.5	40.3
Textiles	75 10	40 5	32 11	32.5	27.2	37.2
Leather, fur, etc.	76 10	35 10	31 6	19.9	2.6	24.3
Clothing	71 10	36 3	25 6	11.8	10.7	15.2
Food, drink and tobacco	76 4	35 4	32 6	17.0	7.3	15.7
Woodworking	76 4	38 8	28 11	15.2	14.9	23.9
Paper, printing, stationery, etc.	83 11	35 2	27 2	6.4	3.2	10.1
Building, contracting, etc.	84 11	...	37 10	28.7	...	47.4
Other manufacturing industries	91 9	38 7	38 0	32.8	21.5	42.5
Transport, storage, etc. (excl. railways)	85 2	43 6	34 11	21.7	24.6	28.9
Public utility services	70 8	34 8	30 3	12.0	25.3	9.7
Government industrial establishments	106 0	52 11	44 2	40.9	18.2	35.5
All the above	89 0	38 11	35 1	29.0	19.7	34.5

† Probably an understatement, as the firms in the motor vehicle, aircraft, etc. industries which omitted to supply data classified by age and sex were among those at which earnings were highest.

but the rise in earnings cannot be attributed solely to war conditions, since there was a substantial improvement in employment between October, 1938, and September, 1939.

War Workers' Welfare

Perhaps because of its policy of coaxing rather than compelling people, especially women, into the work where they are most needed, the Ministry of Labour is occupying itself more than ever before with matters of welfare. It publishes messages to employers suggesting that their canteen arrangements should be modified in order to bring the meals more into line with those to which the workers have been accustomed, and suggesting a snack for workers on overtime before they go home; it warns dock authorities that notice may be served on them requiring them to provide canteens and washing facilities, and now it has published a pamphlet on the welfare of women workers, addressed especially to large employers who have no previous experience of employing women, but applicable to all employers of female labour. This pamphlet stresses the importance of appointing a woman personnel officer, and outlines her duties. It also emphasises the necessity of making new entrants feel welcome. The long hours which have frequently been worked since last June are criticised as unproductive, and it is urged that the weekly working time should not exceed 48-56 hours. It is pointed out that if the hours are not so arranged as to allow women workers to do their shopping there is bound to be discontent, bad time-keeping, and even absenteeism. It is recommended that part-time work should be available for married women, and that those with husbands in the Forces should be promised reasonable leave of absence when their husbands are home on leave. Those with young children to be got off to school or day nurseries in the morning should be allowed time for this. All these provisions are admirable. If the time does come when the Government exercises its powers of compulsion the workers will find themselves more comfortably off than they might have been if the community had never been wholly dependent upon their good will.

(Continued on page 538)

COMMODITY AND INDUSTRY NEWS

THE Government has decided to free reserve rubber to replace losses due to enemy action. Spot smoked sheet closed on Wednesday at 14 1/2 d. per lb., compared 14 1/2 d. a week ago and 13 1/2 d. a month ago. On Wednesday the price of tin, standard cash, was £269 15s.-£270 15s. per ton, and the three months' figure was £269 15s.-£270 15s. per ton, the highest the spot price was £267 10s.-£268 per ton, while the three months' quotation stood at £264 15s.-£265. Though raw cotton prices in Liverpool remained fixed at 9-24d. per lb. American middling there was an upward movement in New York early in the week, but this was followed by a setback on Wednesday.

for insurance. By a further order (No. 491) practically all the goods which had previously been uninsurable under the commodity insurance scheme became voluntarily insurable under that scheme, from April 17th. Growing crops, live-stock and certain agricultural products, as well as goods supplied under hire-purchase agreements, remain uninsurable under the commodity insurance scheme and therefore become insurable under the business scheme.

Pacific Copra Marketing Board.—The Governments of Australia, New Zealand, Fiji and the Eastern Pacific High Commission are to set up a Pacific Copra Marketing Board, with headquarters at Sydney. It will administer a scheme to assist British and Free French copra-producing areas in the Pacific, including mandated territories.

Food.—The Ministry of Food has received from the West Indies 500 tons of orange and grapefruit pulp for marmalade making, and orders placed are expected to reach 1,500 tons; the price is £20 per ton for orange pulp and £18 per ton for grapefruit pulp. In order to increase the amount of sausages, galantines and pressed meats, the special allocation of meat for manufacturing purposes to general butchers was doubled from April 14th. Consignments of boned frozen meat are now available for distribution. Maximum importers', wholesale and retail prices for imported canned pilchards and herrings were fixed on April 14th. The prices vary (according to the size of containers and the number of containers in a case), on a first hand sale, from 25s. to 38s. 6d. per case, on sale by wholesale, from 27s. 6d. to 42s. 6d., and by retail from 4d. to 10 1/2 d. per container. The order restricting sales of milk to six-sevenths of the quantity sold in the first week of March came into force on April 13th. An Order made by the Minister of Food which came into force on April 14th, prohibits, except under licence, the use of rice for purposes

other than the manufacture, production or preparation of human food.

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	Of whom wholly unemployed		
	Number	Index, adjusted for seasonal variations		
1940	'000	1935=100	'000	%
Feb. 12	1,504	69.4	1,141	10.0
Mar. 11	1,721	64.7	968	7.4
Apr. 15	973	48.1	840	6.3
May 20	851	44.3	731	6.8
June 17	767	39.4	648	5.8
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	602	...
Dec. 9	705	35.8	542	...
1941				
Jan. 13	698	31.5	521	...
Feb. 10	581	26.8	449	...
Mar. 17	458	22.5	304	...

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

* From July, 1940, excludes unemployed persons attending training centres: their inclusion raises the total in July to 838,000.

Source: Ministry of Labour.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN UNITED KINGDOM (1927=100)

	Mar. 31, 1937*	Aug. 30, 1939	Apr. 2, 1940	Mar. 25, 1941	Apr. 9, 1941
Cereals and meal	93.0	66.9	86.3	96.1	96.5
Other foods	70.4	61.1	80.9	92.7	93.0
Textiles	74.2	54.3	87.0	89.8	90.2
Minerals	113.2	77.6	114.7	130.0	129.8
Miscellaneous	87.0	77.6	99.4	114.6	118.0
Composite index	87.2	70.3	93.4	104.3	104.3
1913=100	113.0	96.8	128.5	143.5	143.5

* Highest level reached during 1932-37 recovery.

(Continued on page 541)

COMPANY MEETING

THE BAH LIAS RUBBER ESTATES,
LIMITED

DIVIDEND OF 7½%

The thirtieth annual general meeting of the Bah Lias Rubber Estates, Ltd., was held on the 16th instant in London.

Mr. H. Eric Miller (the chairman), in the course of his speech, said:—The rubber crop accounted for, 5,487,930 lbs., shows an increase over the corresponding figure for the previous year of 46 per cent. The sale price, at the equivalent of 11½d. per pound London landed terms, is about 2d. per pound better than for 1938-39.

With these two favourable factors, the available profit for the year under review would have shown a substantial improvement but for the heavy increase in the burden of taxation.

(Continued from page 537)

The Vegetable Marketing Company

The promise to vegetable growers that they should have a guaranteed market for their carrots and onions has now been implemented. Schedules of prices at which these vegetables will be purchased have been published, and a national marketing company has been formed to deal with them. The Ministry of Food will be represented in the company by Mr Pym, M.P., the chairman will be Mr W. P. Spens, M.P., and the managing director will be Major Edgar Munro, who, as the head of a firm in Covent Garden, can bring to his task a practical knowledge of the technique of vegetable marketing. Potatoes will presumably remain under the control of the Potato Marketing Board. Other vegetables may also be dealt with by the new company, but for the time being, at any rate, it is likely that carrots and onions will be its principal care. When our staple foods come to be counted on the fingers of one hand, carrots will still be one of them, and it is therefore highly important that no matter how lavish the output it should never come to be regarded or treated as a glut. By orderly marketing, and if necessary by properly planned use as fodder, this can and will be prevented.

* * *

Manganese Ore and the War

The extension of the war to the Eastern Mediterranean is likely to affect the international trade in manganese ore. Soviet Russia, the largest manganese producer in the world, contributed 2,900,000 long tons to the world output of 5,800,000 tons reached in the last year preceding the war (1938) and is exporting her ore via the Black Sea. Manganese shipments from Russia have already suffered through the reduction of trade through the Mediterranean. It is quite conceivable that they will cease altogether in the near future, especially if the German threat to Turkey continues to persist. During the last war, too, there was a serious shrinkage of Russian manganese ore exports, although then urgently needed supplies were transported at heavy cost via Siberia and the Pacific to the United States. The British iron and steel industry would not be affected by a possible stoppage of Russian shipments, for British plants have used hardly any Russian manganese ore in recent years. The United States, too, would scarcely be affected by the loss of supplies from Russia. The chief reason is the expansion of the British Empire's output of manganese ore in the past quarter of a century. British India, which started to produce manganese ore almost fifty years ago, is now in a position to supply, if necessary, up to 1,500,000 long tons of metallurgical manganese ore per year. The Gold Coast, where the first deposits were found in 1914 and where production started on a small scale in 1916, can now easily produce as much as 650,000 tons of high-grade ore per annum. Moreover, the years preceding the war have witnessed a systematic development of production in the Postmasburg district

The total provision for taxation for the year under review of some £114,000 is equivalent to 22½ per cent on the issued capital, and the dividend you are to receive of 7½ per cent gross is equivalent to only 4½ per cent net after deducting tax at 8s. 6d. in the £.

I will not repeat what I said last year about the hardship of double taxation which is virtually expropriatory, but when times are more propitious we will do what we can to get the injustice remedied.

Our own estates continue to be upkept at the expected high standard of efficiency.

We are estimating the accountable crop for the financial year 1940-41 at much the same as that for the year 1939-40. The estates continue to be worked economically, and as the price of rubber is being maintained at a reasonably profitable level you can see for yourselves that the company is likely to make further substantial contributions to the revenues of the Netherlands Indies and of our own country.

The report and accounts were unanimously adopted.

of the Cape Province in South Africa, where production reached a peak of 621,200 long tons in 1937, and where at least 750,000 tons could be produced yearly without further development work if a market can be found for such a large tonnage. Additional supplies from the United States and the Sinai Peninsula of Egypt could raise potential supplies of British and Empire companies to something like three million long tons per year, which would more than cover both Great Britain's and the United States' needs. The United States, however, can also obtain not inconsiderable tonnages of manganese ore from Brazil and Cuba, where about 400,000 tons annually are produced with United States capital. Here, however, the greater part of supplies consists of low-grade ore. But as the American iron and steel industry has already prepared itself for the loss of Russian manganese ore, no technical difficulties are likely to arise from the increased use of low-grade material. While some years ago America's imports were still dominated by supplies from Russia, the Russian share of her total imports in 1940 was below 15 per cent. British India, South Africa and the Gold Coast supplied about 55 per cent of the total imports of slightly under 1,300,000 tons, while the bulk of the remainder came from Brazil and Cuba.

* * *

Dried Bananas

In the House of Commons it was recently announced that the Colonial Secretary was in consultation with the Minister of Food on the question of importing dried bananas into this country. If the banana ban could be lifted in favour of the dried fruit, it would be of great assistance not only to the Cameroons, which is largely dependent on banana exports and where the Germans long ago introduced the drying process, but also to Jamaica, where the banana surplus, as was pointed out in an article in *The Economist* of March 29th, page 410, is creating grave financial and economic difficulties. Clearly, fresh bananas must give way to other foodstuffs in the shipping queue, because their food value in relation to the shipping space they require is small. But it is claimed that dried bananas take up only 5 per cent of the shipping space needed by bananas on the stem; moreover they need not be shipped in refrigerated vessels. The method of drying is simply to place the fruit in a closed chamber, through which warm air is pumped. Unripe bananas, which have been dried and then beaten into a powder, make an excellent stock food. Ripe bananas, dried, are reported to be a palatable human food. In France, flour made from dried ripe bananas has been mixed with cocoa and used to make a beverage called "Banania," which is said to be both nourishing and pleasant. It is to be hoped that the Ministry of Food will give serious consideration to these claims of the dried banana and, if they are justified, to lift the import ban, for, besides giving much-needed assistance to two distressed Colonies, it would at the same time provide a cheap and nutritious food for the people of this country.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended April 12, 1941, total ordinary revenue was £23,877,000, against ordinary expenditure of £79,633,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £112,531,000 against £54,763,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING
REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 13, 1940	April 12, 1941	Week ended April 13, 1940	Week ended April 12, 1941
ORDINARY REVENUE				
Income Tax	11,242	20,648	1,593	6,925
Stamp Duty	2,190	2,790	800	850
Stamps, etc., Duties	2,710	3,287	1,140	1,437
N.D.C.	270	...	...	...
E.P.T.	820	556	290	226
Other Inland Revenue	70	7,442	20	4,170
Total Inland Revenue	17,332	34,723	3,853	13,614
Customs	9,728	13,624	5,132	6,853
Excise	1,780	3,800	1,011	2,000
Total Customs and Excise	11,518	17,424	6,143	8,853
Motor Duties	3,450	2,635	1,266	1,018
P.O. (Net Receipts)	200	500	450	...
Crown Lands	...	...	...	...
Receipts from Sundry Loans	48	49	48	49
Miscellaneous Receipts	296	395	272	343
Total ord. Revenue	32,844	55,726	12,032	23,877
SELF-BALANCING				
Post Office and Broadcasting	2,300	2,350	900	1,450
Total	35,144	58,076	12,932	25,327

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 13, 1940	April 12, 1941	Week ended April 13, 1940	Week ended April 12, 1941
ORDINARY EXPENDITURE				
Int. & Man. of National Debt	18,571	18,259	1,051	1,933
Payments to N. Ireland	277	32	245	...
Other Cons. Fund Serv.	...	...	...	...
Total	18,848	18,291	1,296	1,933
Supply Services	68,590	149,700	37,500	77,700
Total Ord. Expenditure	87,348	167,991	38,796	79,633
Sinking Funds	259	266	...	...
Total	87,607	168,257	38,796	79,633
SELF-BALANCING				
Post Office and Broadcasting	2,300	2,350	900	1,450
Total	89,907	170,607	39,696	81,083

After decreasing Exchequer balances by £207,062 to £2,531,210, the other operations for the week (no longer shown separately) raised the gross National Debt by £25,452,350 to about £11,508 millions (after deducting £17,043,000 issued to sinking funds in 1940-41, but excluding issues to sinking funds in 1941-42).

OTHER ISSUES (NET)

(£ thousands)	
Anglo-Turkish Agreement	1
Overseas Trade Guarantees	12
	13

OTHER RECEIPTS (NET)

(£ thousands)	
Land Settlement	9

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1st, 1941, to April 12th, 1941, are:—

Ordinary Exp.		Ord. Revenue	
167,991	1,099	55,726	95
Misc. issues (net)	1,099	Dec. in balances	113,535
		Gross. bor.	266
		Sinking fds.	113,269
		Net borrowing	169,090
			169,090

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		
1940						
April 13	701.0	708.4	56.4	...	...	1465.8
1941						
Jan. 11	845.0	...	Not available	...	...	...
" 18	845.0	...	Not available	...	...	...
" 25	845.0	1340.7	90.1	...	360.0	2647.7
Feb. 1	845.0	...	Not available	...	...	...
" 8	845.0	...	Not available	...	...	...
" 15	845.0	...	Not available	...	...	...
" 22	845.0	1360.4	165.5	...	355.0	2734.9
Mar. 1	845.0	...	Not available	...	...	...
" 8	845.0	...	Not available	...	...	...
" 15	845.0	...	Not available	...	...	...
" 22	845.0	...	Not available	...	...	...
" 29	845.0	2211.6	172.3	...	429.5	2813.4
April 5	845.0	...	Not available	...	...	...
" 12	850.0	...	Not available	...	...	...

TREASURY BILLS
(£ millions)

Date of Tender	Amount			Average Rate	Per Cent. Allotted at Min. Rate
	Offered for	Applied	Allotted		
1940					
April 12	50.0	90.6	50.0	20 8.16	52
1941					
Jan. 3	65.0	133.3	65.0	20 2.03	38
" 10	65.0	134.7	65.0	20 2.01	38
" 17	65.0	146.0	65.0	20 1.28	27
" 24	65.0	139.4	65.0	20 4.04	28
" 31	65.0	150.7	65.0	20 2.84	100
Feb. 7	65.0	149.4	65.0	20 3.39	10
" 14	65.0	142.5	65.0	20 4.23	23
" 21	65.0	139.1	65.0	20 4.43	28
" 28	65.0	160.5	65.0	20 3.43	15
Mar. 7	65.0	151.2	65.0	20 0.17	42
" 14	65.0	153.8	65.0	19 11.79	24
" 21	65.0	151.6	65.0	20 2.95	17
" 28	65.0	148.3	65.0	20 2.46	28
April 4	70.0	164.7	70.0	20 2.41	26
" 11	70.0	156.6	70.0	20 2.72	30

On April 11th applications at £99 14s. 11d. per cent. for bills to be paid for on Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 30 per cent. of the amount applied for, and applications at higher prices in full. £75 millions of Treasury bills are being offered on April 18th. For the week ending April 12th the banks will be asked for Treasury deposits to the maximum amount of £40 millions.

NATIONAL SAVINGS
CERTIFICATES AND 3% AND 2½%
BONDS SUBSCRIPTIONS

		3% Def. Bonds		2½% Bonds		New 3% Sav. Bonds	
Week ended	N.S.C.						
Mar. 4	4,475	3,615	8	8,952	6,814		
" 11	4,518	4,627	1	9,472	6,490		
" 18	4,180	4,428	NH	9,217	4,969		
" 25	5,055	4,858	14	17,685	11,080		
Apr. 1	4,918	4,957	NH	11,252	10,541		
" 8	4,405	4,508	NH	10,448	8,516		
" 15	...	...	NH	4,248	4,590		
Totals to date	280,921*	257,483*	444,433*	165,088*	104,130*		

* 72 weeks. † 43 weeks. ‡ 15 weeks

Interest free loans received by the Treasury up to April 15th amounted to a total value of £31,299,339. Up to March 31st, principal of Savings Certificates to the amount of £31,672,000 had been repaid.

BANK OF ENGLAND
RETURNS

APRIL 9, 1941

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt	11,015,100
In Circulation	618,718,055	Other Govt. Securities	616,010,422
In Banking	...	Other Secs.	2,960,681
Dept.	11,523,520	Silver Coin	7,797
		Amt. of Fid. Issue	630,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,575
			630,241,575

BANKING DEPARTMENT

£		£	
Props' capital	14,553,000	Govt. Secs.	127,972,838
Res.	3,102,091	Other Secs.	...
Public Depts.	18,720,229	Discounts & Advances	39,913,095
Other Depts.	110,082,465	Securities	19,313,178
Bankers	53,304,796	Notes	59,228,273
Other Accts.	...	Gold & Silver Coin	1,039,950
			199,762,581
			199,762,581

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

APRIL 16, 1941

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt	11,015,100
In Circulation	622,203,023	Other Govt. Securities	616,037,125
In Banking	...	Other Secs.	2,941,330
Department	8,038,552	Silver Coin	6,445
		Amt. of Fid. Issue	630,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,573
			630,241,573

BANKING DEPARTMENT

£		£	
Props' Capital	14,553,000	Govt. Secs.	132,687,838
Res.	3,117,684	Other Secs.	...
Public Depts.	14,570,887	Discounts & Advances	40,783,799
Other Depts.	115,145,622	Securities	18,296,494
Bankers	53,411,011	Notes	59,180,293
Other Accts.	...	Gold & Silver Coin	8,038,552
			1,191,501
			201,098,184
			201,098,184

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

THE WEEK'S CHANGES

Both Departments	Amt. Apr. 16, 1941	Compared with	
		Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	622,203	+ 3,485	+ 84,725
Deposits: Public	14,871	- 3,849	- 13,783
Bankers	115,146	+ 5,064	+ 188
Others	53,411	+ 106	+ 13,875
Total outside liabilities	805,631	+ 4,806	+ 84,805
Capital and rest.	17,971	- 16	- 2
COMBINED ASSETS			
Govt. debt & securities	750,740	+ 4,742	+ 53,836
Discounts and advances	40,784	+ 571	+ 35,837
Other securities	21,338	- 942	- 4,642
Silver coin in issue dept.	6	- 2	- 505
Coin and gold bullion	1,433	+ 152	+ 276
RESERVES			
Res. of notes and coin in banking department	9,230	- 3,333	- 34,450
"Proportion" (reserve to outside liabilities in banking dept.)	5.0%	- 1.8%	- 18.8%

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Finland appeared in "The Economist" of Dec. 9th, 1939; Norway, of Apr. 13th, 1940; Denmark, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Switzerland, of June 15th; Java, of Oct. 26th; Melite Iran, of Nov. 23rd; Lithuania, of Nov. 30th; Roumania, of Feb. 8th; Egypt, Reichsbank International Settlements, of Feb. 15th; Roumania, of Feb. 22nd; Hungary, Portugal, and Turkey, of March 2nd; Bulgaria, of Mar. 15th; Greece, of Mar. 22nd; Jugoslavia, of Mar. 29th; Sweden, and Prague, of Apr. 5th; Argentina, Canada, Japan, and South Africa of Apr. 12th.

U.S. FEDERAL RESERVE BANKS

Million \$'s	Apr. 10, 1940	Mar. 27, 1941	Apr. 3, 1941	Apr. 10, 1941
12 U.S.F.R. BANKS				
RESOURCES				
Gold Certifs. on hand and due from Treas.	16,161	20,102	20,101	20,111
Total reserves	16,550	20,454	20,430	20,437
Total cash reserves	385	341	324	316
Total U.S. Govt. secs.	2,487	2,184	2,184	2,184
Total bills and secs.	2,479	2,193	2,193	2,196
Total resources	19,749	23,527	23,551	23,487
LIABILITIES				
F.R. notes in circn.	4,923	6,079	6,159	6,198
Excess mr. bank res.	5,950	6,010	5,940	6,030
Mr. banks res. dep.	12,575	13,633	13,506	13,656
Govt. deposits	590	906	1,045	813
Total deposits	13,898	15,327	16,255	16,209
Total liabilities	19,749	23,527	23,551	23,487
Reserve ratio	88.0%	91.3%	91.2%	91.2%
BANKS AND TREASURY				
RESOURCES				
Monetary gold stock	18,523	22,359	22,384	22,413
Treas. and bk. currency	2,093	3,108	3,110	3,113
LIABILITIES				
Money in circulation	7,509	8,842	8,944	3,993
Treas. cash and dep.	2,943	3,136	3,296	3,085

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

	Feb. 28, 1940	Feb. 12, 1941	Feb. 19, 1941	Feb. 26, 1941
ASSETS				
Loans, total	8,528	9,377	9,423	9,405
Investments	14,740	16,871	16,928	16,955
Reserve with F.R. bks.	10,390	11,640	11,804	12,003
Due from domestic bks.	3,014	3,351	3,388	3,473
LIABILITIES				
Deposits: Demand	19,414	22,981	23,157	23,431
Time	6,290	5,452	5,466	5,454
U.S. Govt.	571	354	354	356
Inter-bank	8,817	9,667	9,775	9,879

RESERVE BANK OF INDIA

Million rupees

	Apr. 5, 1940	Mar. 21, 1941	Mar. 28, 1941	Apr. 4, 1941
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	554	334	348	355
Balances abroad	275	784	423	361
Sterling securities	1,135	1,405	1,022	1,048
Indian Gov. rupee secs.	384	496	879	904
Investments	72	68	72	75
LIABILITIES				
Notes in circn.: India	2,275	2,390	2,406	2,461
Burma	135	173	171	174
Deposits: Govts.	187	397	224	194
Banks	160	380	355	293
Reserve ratio	62.8%	69.0%	54.5%	54.3%

AUSTRALIAN COMMONWEALTH BANK.—Million £A's

	Feb. 12, 1940	Jan. 27, 1941	Feb. 3, 1941	Feb. 10, 1941
ASSETS				
Gold and English stg.	16.08	17.71	17.71	17.71
Other coin, bullion, etc.	7.06	6.34	6.64	6.93
Call money, London	30.84	50.22	59.41	61.56
Secrts. and Treas. bills	93.85	91.89	90.93	90.83
Discounts and advances	31.40	27.13	27.06	25.93
LIABILITIES				
Notes issued	52.02	62.37	62.37	62.37
Deposits, etc.	108.12	122.59	122.89	124.32

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

	Feb. 19, 1940	Feb. 3, 1941	Feb. 10, 1941	Feb. 17, 1941
ASSETS				
Gold and stg. exch.	12.31	17.18	18.49	18.95
Advances to State	26.26	26.59	26.70	26.55
Investments	3.36	3.78	3.78	3.78
LIABILITIES				
Bank Notes	18.09	21.67	21.47	21.40
Demand liab.: State	5.74	8.91	10.96	10.35
Banks and others	16.11	15.87	15.24	16.19
Reserves to sight liab.	30.8%	37.0%	38.7%	39.5%

MONEY MARKET STATISTICS

EXCHANGE RATES

The following rates fixed by the Bank of England remained unchanged between April 9th and 16th. (Figures in brackets are par of exchange.)

United States. \$ (4.862) 4-02½-03½; mail transfers 4-02½-03½. Canada \$ (4.862) 4-43-47; mail transfers 4-43-47½. Switzerland. Francs (25-22½) 17-30-40. Sweden. Krona (18-159) 16-85-95. Argentina. Peso (11-45) 16-95½-17-13; mail transfers 16-95½-17-15. Dutch East Indies. Florin (12-11) 7-58-62; mail transfers 7-58-64. Dutch West Indies. Florin 7-58-62; mail transfers 7-58-64. Portugal. Escudos (110) 99-80-100-20. Panama. \$ 4-02-04; mail transfers 4-02-04½. Manila. Peso 8-09-12; mail transfers 8-09-13.

Rates Fixed for Payment at Bank of England for Clearing Offices

Spain. Peseta (25-22½) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey. L.T. (1-10) 5-20.

Market Rates

The following rates remained unchanged between April 9th and 16th:—Greece. Drachma (375) 515 sellers. Finland. Mark (193-23) 180-210. Egypt. Piastres (97½) 97½-1. India. Rupee (18d. per rupee) 17½-18½. Hongkong. 14½-15½d. per \$ Japan. Yen (24-58d. per yen) 13½-14½. Jugoslavia. Dinar (276-32) 155 sellers; trade payments 200 sellers. Singapore. \$ (28d. per \$) 28½-29. Colombia. Peso 6 (nominal). Belgian Congo. Francs 170½-1. Shanghai. 3-3½d. per \$.

SPECIAL ACCOUNTS are in force for the following countries and no rate of exchange is accordingly quoted in London: Turkey, Brazil, Chile, Uruguay and Peru.

Forward Rates

Forward rates for one month have remained unchanged as follows:—United States. 2 cent pm-par. Canada. ½ cent pm-par. Switzerland. 3 cents pm-par. Sweden. 3 ore pm-par. Dutch East Indies. 1½ cents pm-par.

MONEY RATES, LONDON

The following rates remained unchanged between April 9th and 16th:—Bank rate, 2% (changed from 3% October 26th, 1939). Discount rates: Bank Bills, 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%. Treasury Bills: 2 months, 1-1½%; 3 months, 1½%. Day-to-day money, ½-1½%. Short loans, 1-1½%. Bank deposit rates, 1%. Discount deposit at call, 1%; at notice 1%.

(Continued from page 536)

Destination (Conversions Excluded)

Year	U.K.	Brit. Emp.	Foreign ex U.K. Countries
'41 (New Basis).....	385,488,244	2,549,103	Nil
'40 (New Basis).....	388,819,819	479,432	Nil
'41 (Old Basis).....	384,983,160	2,500,000	Nil
'40 (Old Basis).....	380,005,344	142,456	Nil

Nature of Borrowing (Conv. Excl'd.)

Year	Deb.	Prof.	Ord.
'41 (New Basis).....	385,375,833	34,460	2,627,054
'40 (New Basis).....	380,102,966	605,807	8,590,478
'41 (Old Basis).....	384,983,160	Nil	2,500,000
'40 (Old Basis).....	379,379,500	77,500	640,800

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

BY TENDER

Bristol Corporation.—Tenders are invited for £500,000 Bristol six months bills. Tenders will be received at Westminster Bank, New Issue Dept., 41 Lothbury, London, E.C.2, on April 22, before 2 p.m. Bills in amounts £1,000 and £5,000 dated April 28, will be payable October 28, 1941.

PRIVATE PLACING

Smethwick Drop Forgings.—This company proposes to increase its capital from £175,000 to £325,000, so that it can enlarge its productive capacity. The new capital is to be £150,000 five and a-half per cent cumulative redeemable preference. To be redeemed by cumulative sinking fund of £3,750 per annum, from

year ending March 31, 1943, by purchase at any price up to 22s. per share (exclusive of accrued dividend), or failing purchases by drawings at 22s. per share. Meeting April 26.

Shorter Comments

Skefko Ball Bearing.—Final dividend 10% per cent., tax free, against 12½ per cent, making 17½ per cent, tax free, as compared with 20 per cent. Net profit £180,696 against £253,396 (after tax).

Swedish Separator.—Aktiebolaget Separator (Stockholm) reports a net profit for 1940 of Kr.3,450,000, against Kr.5,130,000 for 1939. Dividend 4 per cent, against 6 per cent.

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.
Breweries		£	£	£	£	£	£	%	£	£	£	£	%
Shipstone (James) & Sons	Dec. 31	171,947	...	171,947	249,258	23,842	129,352	18	10,000	+ 8,753	181,471	181,471	20
Wood's Canons' Brw.	Jan. 31	11,072	1,430	Dr. 309	2,638	1,264	690	3	...	- 2,263	15,688	4,309	8
Financial, Land, etc.													
Agricultural Mortgage Cpn.	Mar. 31	547,435	...	Dr. 5,671	3,168	...	...	...	...	- 5,671	545,593	7,529	Nil
Law Land Co.	Dec. 31	271,395	...	28,879	43,709	15,750	14,000	4	...	- 871	285,410	38,757	6½
Telephone & Gen. Trust	Dec. 31	160,021	...	102,287	162,856	38,500	58,160	8	...	+ 5,627	160,656	99,567	8
Rubber													
Jugra Land & Carey	Nov. 30	129,116	2,958	76,157	78,456	...	71,787	5	3,500	+ 870	72,944	63,807	4
Tanah Estates	Sept. 30	10,821	1,612	7,808	13,313	...	4,633	6	2,500	+ 675	5,627	3,901	3
Shops and Stores													
Bradleys (Chester)	Jan. 31	57,938	...	47,022	79,195	6,300	31,250	12½	...	+ 9,472	52,619	46,619	12½
Civil Service Supply	Feb. 28	31,295	...	Dr. 5,215	26,936	16,500	24,000	6	5,000	- 1,338	45,799	9,604	Nil
Hope Brothers	Feb. 28	61,012	7,726	44,162	109,346	...	...	...	...	...	67,994	51,980	7
Trusts													
Friars Investment	Feb. 15	72,867	...	21,834	36,026	...	17,563	4	5,000	- 729	70,297	22,770	4
Other Companies													
Allied Dairies	Feb. 2	6,383	...	2,403	6,031	1,858	...	...	...	+ 545	7,966	3,628	Nil
Beaton (G.) & Son	Dec. 31	56,519	...	14,019	15,530	...	7,500	15	5,000	+ 1,519	47,320	16,670	15
Brookhurst-Walton	Dec. 31	75,711	18,131	43,500	132,256	...	...	...	...	+ 43,509	22,854	Dr. 6,380	Nil
Evans Sons Leasing & Co.	Dec. 31	65,880	...	28,889	41,775	12,513	...	...	15,000	+ 1,376	66,036	30,984	Nil
Ford (J. J.) & Sons	Dec. 31	Dr. 12,972	...	Dr. 13,958	Dr. 13,415	...	...	...	Dr. 13,500	- 458	Dr. 5,650	Dr. 7,438	2
Goldsmiths & Silversmiths	Jan. 31	134,450	...	28,390	89,096	15,000	12,000	4	...	+ 1,390	119,521	21,319	16
Pettigrew & Stephens	Feb. 19	38,017	1,632	26,445	60,959	7,250	20,400	15	...	- 1,005	43,320	34,617	16
Pullman, R. & J.	Dec. 31	4,358	1,469	806	5,418	...	...	...	...	+ 806	8,348	4,612	Nil
Totals (£'000's)	No. of Cos.	1,894	35	620	1,123	139	391	...	33	+ 57	1,814	628	...
Week to April 19, 1941	19	...	...	...	...	...	...	...	...	...	...	...	...
Jan. 1 to April 19, 1941	550	116,213	7,768	58,318	90,078	11,958	38,759	...	5,378	+ 2,223	110,891	64,635	...

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash. Previous year's rate is total dividend unless marked * indicating interim dividend.

Company					*Int. or Final	Total	Pay- able	Prev. Year						
Company	*Int. or Final	Total	Pay- able	Prev. Year	Company	*Int. or Final	Total	Pay- able	Prev. Year					
BANKS					INDUSTRIALS					Company				
Union of Scotland	%	%		%	Alexandria Water	%	%		%	Lamont (Jas. H.) & Co.	%	%		%
INSURANCE					Associated Automatic ..	102½	14½	...	15	Law Land	20	25	...	25
Caledonian Insurance .	37½	...	...	18	American Inv. Trust ..	...	6	...	4½	Mansell Hunt Catty	2½	4	...	6
Do. do.	37½	75	May 15	75	Blythe (William)	3½	5½	...	6	Pinchin Johnson & Co.	6½	8½	...	10
Gen. Accident Fire, etc.	40½	70	May 1	70	Bradleys (Chester)	12½	15	...	12½	Ransomes and Rapier	13½	16	...	16½
Liverpool &c. and Globe	33½	67½	June 5	67½	British Moss Litter	9½	12½	...	12½	Skefko Ball Bearing	103½	117½	...	120
Phoenix Assurance	30	60	June 14	60	Brixton Estate	...	5	...	10	Sneyd Collieries	5	...	...	5
Do. do.	30	60	Dec. 15	60	Bryant and May	112½	122½	...	25½	Stn. Stkldrs. Trust	1½	...	May 20	1½
Provincial Insurance	...	50	...	60	Cow and Gate	...	10	...	Nil	Steel Brothers (Def. Ord.)	120	...	Apr. 16	...
Royal Insurance	26½	52	June 5	52	Dickinson (John)	10½	14	...	14	Swedish Separator	...	4	...	6
Thames & Mersey Ins.	6/6½	13/-	...	13/-	Harris & Sheldon	8	10	...	10	U.S. & S. Amer. Trust	7½	9½	...	9
TEA AND RUBBER					Imperial Chemical	5½	8	July 1	8	Vulcan Foundry	...	3	...	5
Batang Cons. Rubber ..	...	15	...	7½	Kenward & Court	3½	...	...	3	Wickens Pease & Co.	...	2½	...	3
Bukit Lintang Rubber .	5*	...	...	5*	King (Geo. W.)	...	12½	...	12½					

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks

Prices, Year 1940		Prices, Year 1941		Name of Security	Price, Apr. 15, 1941	Yield, Apr. 15, 1941	Prices, Year 1941		Last two Dividends	Prices, Year 1941		Price, Apr. 15, 1941	Yield, Apr. 15, 1941
High	Low	High	Low				High	Low		(a)	(b)			(c)
British Funds													
77	68	78	76	Consols 2½	78	77	23/11	20/10	12 1/2	23/11	20/10	21/10	21/10
111	103	111	110	Do. 4% (aft. 1957)	111	110	22/5	21/5	12 1/2	22/5	21/5	21/5	21/5
98	93	98	97	Conv. 2½ 1943-45	98	99	12/6	11/6	12 1/2	12/6	11/6	11/6	11/6
100	95	100	98	Do. 2½ 1944-49	99	99	21/6	19/6	12 1/2	21/6	19/6	19/6	19/6
103	97	103	101	Do. 3½ 1948-53	102	101	21/6	19/6	12 1/2	21/6	19/6	19/6	19/6
102	94	104	102	Do. 3½ after 1961	104	103	44/6	41/3	12 1/2	44/6	41/3	41/3	41/3
112	104	108	106	Do. 5% 1944-64	106	106	21/6	19/6	12 1/2	21/6	19/6	19/6	19/6
92	82	92	91	Fund. 2½ 1956-61	92	92	30/2	27/3	12 1/2	30/2	27/3	27/3	27/3
98	92	99	97	Fund. 2½ 1952-57	98	98	21/6	19/6	12 1/2	21/6	19/6	19/6	19/6
99	95	99	98	Fund. 3% 1959-69	99	99	31/2	28/3	12 1/2	31/2	28/3	28/3	28/3
114	105	114	112	Fund. 4% 1960-90	113	112	41/3	37/3	12 1/2	41/3	37/3	37/3	37/3
102	92	101	100	Nat. D. 2% 1944-48	100	100	21/6	19/6	12 1/2	21/6	19/6	19/6	19/6
102	95	101	100	Do. 3% 1954-58	101	101	21/6	19/6	12 1/2	21/6	19/6	19/6	19/6
100	100	100	100	War Bds. 2½ 1945-47	100	100	21/6	19/6	12 1/2	21/6	19/6	19/6	19/6
112	105	112	110	Do. 2½ 1946-48	100	100	21/6	19/6	12 1/2	21/6	19/6	19/6	19/6
101	98	101	100	Sav. Bds. 3% 1955-65	100	100	31/2	28/3	12 1/2	31/2	28/3	28/3	28/3
103	93	103	103	Victory Bonds 4%	111	111	31/2	28/3	12 1/2	31/2	28/3	28/3	28/3
83	80	83	81	War L. 3% 1955-59	104	104	31/2	28/3	12 1/2	31/2	28/3	28/3	28/3
94	85	94	85	War L. 3½ at 1952	104	104	31/2	28/3	12 1/2	31/2	28/3	28/3	28/3
101	97	101	100	Local Loans 3%	106	106	31/2	28/3	12 1/2	31/2	28/3	28/3	28/3
71	59	75	70	Redemption 3% 1956-66	96	96	31/2	28/3	12 1/2	31/2	28/3	28/3	28/3
97	82	99	96	Austria 3% 1933-53	100	100	31/2	28/3	12 1/2	31/2	28/3	28/3	28/3
107	101	105	103	India 2½	74	73	31/2	28/3	12 1/2	31/2	28/3	28/3	28/3
112	105	112	110	Do. 3½	99	99	31/2	28/3	12 1/2	31/2	28/3	28/3	28/3
Dom. & Col. Govts.													
105	105	105	105	Austria 5% 1945-75	105	105	31/2	28/3	12 1/2	31/2	28/3	28/3	28/3
110	110	110	110	Canada 4% 1953-58	110	110	31/2	28/3	12 1/2	31/2	28/3	28/3	28/3
109	109	109	109	Nigeria 5% 1950-60	109	109	31/2	28/3	12 1/2	31/2	28/3	28/3	28/3
106	106	106	106	N. Zealand 5% 1946	106	106	31/2	28/3	12 1/2	31/2	28/3	28/3	28/3
107	107	107	107	S. Africa 5% 1945-75	107	107	31/2	28/3	12 1/2	31/2	28/3	28/3	28/3
Corporation Stocks													
107	107	107	107	Bircham 5% 1946-56	107	107	31/2	28/3	12 1/2	31/2	28/3	28/3	28/3
80	80	80	80	L.C.C. 3%	80	80	31/2	28/3	12 1/2	31/2	28/3	28/3	28/3
95	95	95	95	Liverpool 3% 1954-64	95	95	31/2	28/3	12 1/2	31/2	28/3	28/3	28/3
102	102	102	102	Midx. 3½ 1957-62	102	102	31/2	28/3	12 1/2	31/2	28/3	28/3	28/3
Foreign Governments													
15	11/3	15	10 c	Argen. 4½ 5½ Bds.	80	79	5 13 11	17/9	16/6	6 c	7 c	7 c	7 c
37	36	37	36	Brasil 5% Fd. 1914	37	36	6 18 11	10/6	9/6	6 c	4 c	4 c	4 c
12	12	12	12	Chile 6% (1929)	12	12	12 10 0	34/4	25/9	12 c	12 c	12 c	12 c
30	28	30	28	China 5% (1913)	30	28	13/3	11/3	11/3	11 c	10 c	10 c	10 c
18	15	18	15	Egypt Unified 4%	82	76	5 4 7	18/0	15/9	5 c	6 c	6 c	6 c
17	13	17	13	Greek 6% Stab. Ln.	17	13	14/9	11/6	15/6	15 c	17 c	17 c	17 c
19	19	19	19	Japan 5½ 1930	30	28	19 12 9	65/3	58/3	20 c	10 c	10 c	10 c
61	65	64	61	Portuguese 3%	61	65	4 11 7	59/3	50/3	12 c	11 c	11 c	11 c
41	41	41	41	Spanish 4%	45	41	9 12 10	26/9	24/6	15 c	15 c	15 c	15 c
77	73	77	73		77	73	12/10	10/3	25 c	15 c	15 c	15 c	15 c
Shipping													
19	17/6	19	17/6	Furness, Withy £1	19	17/6	18/6	18/6	5 8 0	18/6	18/6	5 8 0	5 8 0
23	20/6	23	20/6	P. & O. Def. £1	23	20/6	22/6	22/6	6 10 0	22/6	22/6	6 10 0	6 10 0
10/3	8/3	10/3	8/3	Union Castle Ord. £1	10/3	10/3	10/3	10/3	Nil	10/3	10/3	Nil	Nil
Tea and Rubber													
8/1	8/1	8/1	8/1	Allied Sumatra £1	8/1	8/1	8/1	8/1	9 16 0	8/1	8/1	9 16 0	9 16 0
14/9	14/9	14/9	14/9	Anglo-Dutch £1	14/9	14/9	14/9	14/9	8 2 0	14/9	14/9	8 2 0	8 2 0
31/3	31/3	31/3	31/3	Jokai (Assam) £1	31/3	31/3	31/3	31/3	6 8 0	31/3	31/3	6 8 0	6 8 0
2/9	2/9	2/9	2/9	London Asiatic 2/-	2/9	2/9	2/9	2/9	8 3 0	2/9	2/9	8 3 0	8 3 0
25/3	25/3	25/3	25/3	Rubber Trust £1	25/3	25/3	25/3	25/3	7 2 0	25/3	25/3	7 2 0	7 2 0
2/-	2/-	2/-	2/-	United Sebang 2/-	2/-	2/-	2/-	2/-	0 0 0	2/-	2/-	0 0 0	0 0 0
Oil													
31/3	27/6	31/3	27/6	Anglo-Iranian £1	31/3	27/6	31/3	27/6	3 12 9	31/3	27/6	3 12 9	3 12 9
26/9	26/9	26/9	26/9	Apex (Trinidad) 5/-	26/9	26/9	26/9	26/9	5 15 3	26/9	26/9	5 15 3	5 15 3
51/10	46/10	51/10	46/10	Burnah Oil £1	51/10	46/10	51/10	46/10	8 19 3	51/10	46/10	8 19 3	8 19 3
41/3	40/7	41/3	40/7	Shell Transport £1	41/3	40/7	41/3	40/7	2 9 3	41/3	40/7	2 9 3	2 9 3
66/3	66/3	66/3	66/3	Thrinlad Leaseholds £1	66/3	66/3	66/3	66/3	4 10 6	66/3	66/3	4 10 6	4 10 6
Miscellaneous													
51/8	48/9	51/8	48/9	Asker (Ceylon) £1	51/8	48/9	51/8	48/9	4 2 1	51/8	48/9	4 2 1	4 2 1
28/9	28/9	28/9	28/9	Baker (John) £1	28/9	28/9	28/9	28/9	6 19 2	28/9	28/9	6 19 2	6 19 2
35/6	35/6	35/6	35/6	Boots Pure Drug 5/-	35/6	35/6	35/6	35/6	3 8 7	35/6	35/6	3 8 7	3 8 7
40/-	39/4	40/-	39/4	Brit. Aluminium £1	40/-	39/4	40/-	39/4	5 1 7	40/-	39/4	5 1 7	5 1 7
87/6	85/6	87/6	85/6	Brit.-Amer. Tob. £1	87/6	85/6	87/6	85/6	4 4 6	87/6	85/6	4 4 6	4 4 6
63/9	63/9	63/9	63/9	British Oxygen £1	63/9	63/9	63/9	63/9	4 14 0	63/9	63/9	4 14 0	4 14 0
60/1	60/1	60/1	60/1	Cable & Wire, Hdg. Stk.	60/1	60/1	60/1	60/1	6 12 6	60/1	60/1	6 12 6	6 12 6
32	32	32	32	Carreras 'A' Ord. £1	32	32	32	32	5 8 8	32	32	5 8 8	5 8 8
33/6	33/6	33/6	33/6	Dirop £1	33/6	33/6	33/6	33/6	5 8 8	33/6	33/6	5 8 8	5 8 8
7/6	7/6	7/6	7/6	Elec. Mus. Ind. 10/-	7/6	7/6	7/6	7/6	7 16 9	7/6	7/6	7 16 9	7 16 9
25/9	25/9	25/9	25/9	Ever Ready Co. 5/-	25/9	25/9	25/9	25/9	7 16 9	25/9	25/9	7 16 9	7 16 9
23/9	23/9	23/9	23/9	Forestral Land £1	23/9	23/9	23/9	23/9	7 11 5	23/9	23/9	7 11 5	7 11 5
4	4	4	4	Gallaher Ltd. Ord. £1	4	4	4	4	6 2 3	4	4	6 2 3	6 2 3
21/3	21/3	21/3	21/3	Gestetner (D.) 5/-	21/3	21/3	21/3	21/3	5 5 0	21/3	21/3	5 5 0	5 5 0
4	4	4	4	Harrison & Cos. Dr. £1	4	4	4	4	6 0 0	4	4	6 0 0	6 0 0
25/9	25/9	25/9	25/9	Harrods £1	25/9	25/9	25/9	25/9	3 13 3	25/9	25/9	3 13 3	3 13 3
11/3	10/7	11/3	10/7	Imp. Smelting £1	11/3	10/7	11/3	10/7	4 8 0	11/3	10/7	4 8 0	4 8 0
4	4	4	4	Imp. Tobacco £1	4	4	4	4	4 8 0	4	4	4 8 0	4 8 0
44	44	44	44	Inter. Nickel n.p.	44	44	44	44	5 0 0	44	44	5 0 0	5 0 0
22/6	21/10	22/6	21/10	Lever & Unilever £1	22/6	21/10	22/6	21/10	4 16 0	22/6	21/10	4 16 0	4 16 0
48/9	48/9	48/9	48/9	London Brick £1	48/9	48/9	48/9	48/9	4 2 1	48/9	48/9	4 2 1	4 2 1
80/-	80/-	80/-	80/-	Lyons (J.) Ord. £1	80/-	80/-	80/-	80/-	5 0 0	80/-	80/-	5 0 0	5 0 0
32/6	31/3	32/6	31/3	Marks & Spen. 'A' 5/-	32/6	31/3	32/6	31/3	6 2 0	32/6	31/3	6 2 0	6 2 0
80/-	80/-	80/-	80/-	Metal Investments £1	80/-	80/-	80/-	80/-	5 0 0	80/-	80/-	5 0 0	5 0 0
80/-	80/-	80/-	80/-	Murex £1 Ord.									

of them state this conclusion baldly. Actually, it is as near certain as makes no matter that every one of them would have decided as Mr Churchill did. Their objections now are not to the dispositions which were made, but to the reserves which have followed. If Yugoslavia had been offered no aid and if Greece had been left to perish unhelped, while the German tide flowed on into the Peloponnesus and the Aegean Islands, the protests of these critics would have been no less loud. And they shared with the general public in the gratitude and relief with which the opening of the Red Sea to American ships and cargoes—made possible by the mopping-up of East Africa—was greeted. Their chagrin now is mainly a reflection of the over-high hopes with which they awaited the Balkan and Libyan battles. They knew the facts, but they did not draw the right deductions.

It is, of course, possible to question the system of intelligence which allowed the first German drive into Cyrenaica to be described officially as a "propaganda gesture." It is more than possible to protest at the system of information which wraps up the meagre facts of these overseas operations in a cloud of reassuring statements which are an insult to the common sense and fortitude of the British people. The public do not ask for a running commentary on what is happening in every theatre of war. They know, as Mr Churchill has said, that news of complicated and crucial operations on remote fronts must seep out slowly—even to the Government. There is no need for the official pundits to comment, reassuringly or otherwise, on what even they do not know. But these are matters of detail. It is still not possible to envisage an alternative course of action which would have turned defeat into a victory and routed the Germans.

The uncomfortable fact must be swallowed; there have been setbacks, and there will be more setbacks, not because the higher strategy of the Cabinet and the Services has, on balance, been wrong, but because the forces at their disposal are still too weak. And the reason for this goes back a year to the fall of France and more years still to the ineptitude of the economic preparations made for fighting. There has not been time yet since Norway and Dunkirk to catch up the enemy's long start. The flood of American aid has still to come; and it is a stark fact that it may take years to gather strength enough to stand victorious in the field. Until then it will be "guerrilla warfare," except in the defence of Britain and the Atlantic lifelines; and, despite the grievous course of events, the campaign in Greece has been a guerrilla operation of no small importance. It has shocked and mauled the enemy and eaten into his precious materials. Moreover, there are notable credits to set against the setbacks. It was against odds that General Wavell destroyed Italy's African army; against odds that Admiral Cunningham drove a hostile navy from the open sea; and against odds, tangible and intangible, that the will to fight was kept alive in South-Eastern Europe. A show of force in Iraq has shown its local *fuehrers* that it is not all jam to shout with the Swastika men. In Cairo, with some justification, there is still "calm and confidence."

In Revolutionary France defeated generals were guillotined. In ramshackle Italy, still, soldiers and sailors are made scapegoats. It would be a pity if an attempt were made to follow these brutal precedents in British affairs. Last year a welter of incompetence in almost every department of war management—brought to a head in Norway—very properly led to the fall of a Government and probably to the salvation of the State. But there is no parallel now. Two of the Services have been overhauled at the top—the Army and the Air Force. In the key positions of the Government there are new men of vigour; and in every branch of war strategy, economic as well as military, there is a new awareness and determination. The old faults of reluctance and delay do reappear, it is true; there is still need, now underlined again, in battle, for

more haste and drive in economic mobilisation; there is a paucity of talent over the range of Ministerial offices. Only in Mr. Churchill are the war qualities of ruthlessness and resolve fully shown. But there is no better alternative Government waiting in the wings. Among the known leaders of all the parties there is no statesman to play Churchill to Mr Churchill's Chamberlain; no Labour leader to play Bevin to Mr Bevin's Brown; no virtuoso to play Beaverbrook to Lord Beaverbrook's Kingsley Wood. A new Government is not needed. If there are failures in the field, Mr Churchill's Government has failed with its eyes open, not erred with its eyes shut. Every sign points to the fact that Mr Churchill, as supreme director of strategy, now knows the road that must be travelled—the ways and means by which, with American aid, a lasting deficiency of man power will be made up, on land as well as in the air, by superior equipment. There is every reason for the utmost public criticism—of a constructive kind—in times of crisis. For *The Economist* to deny that would be to repudiate its own record. But the pattern by which reverses in battle are matched by a frontal attack on the Government is not one to be repeated.

This is not to say that changes are not needed, quite independently of the immediate perils. Mr Churchill is not *primus inter pares*. He stands out alone. He directs everything, for no one else in his Cabinet has the broad grasp of grand strategy that total war demands. His colleagues are often able and energetic specialists, but they are not statesmen. Mr Churchill needs help. It is not a new Government that is wanted, but a stronger one. The present Government is the best possible all-party administration. It is not the strongest possible assemblage of the Empire's leaders. In Australia this week there are complaints, from the Labour Opposition, because the AIF was rushed into Greece. They are misplaced and arise from foreboding. The fact that this is Australia's war has already been recognised, and Mr Menzies has remained in London to sit with the War Cabinet. There is an inkling of what is needed in this. What is wanted to direct Imperial strategy and satisfy the Empire's will is not, of course, representatives from each Dominion; that would simply repeat the fault of the present Government, whose main weakness is that its members are chosen, in balanced proportions, to represent each party. The need is for the best men in the Commonwealth—regardless of party or country.—a War Cabinet chosen from the widest field. Mr Menzies might be one. In another of the Dominion Premiers, General Smuts, there is a man of quite unexampled experience who, in the last war, played as vital a part in the day-to-day government of the country as any one but the Prime Minister of that day. That Prime Minister himself is still alive—and kicking. Mr Lloyd George may no longer be capable of sixteen hours' work a day; but he is no older now than Clemenceau was in 1918, and his matchless talent for making other men decide and act is still at his country's service. There are others of strength and vision available at home if the net is cast wider than the party politicians—Lord Trenchard, for example. There is no question that a real War Cabinet could be assembled if Mr Churchill willed it.

Total war requires total government. Mr Churchill was quite right some months ago when, in effect, he claimed that there were not men enough of ability among his all-party colleagues to man a War Cabinet and the war departments as well. But it would be an unproven reproach to the Commonwealth to suggest that there are not leaders enough, outside the political hierarchies, if need be, in the length and breadth of Britain and the Dominions. The lesson of the growing crisis is not that someone has blundered. It is rather that we are strongly menaced and still perilously weak; and that to win through this trial to the years of attack and triumph requires the leadership that only a full sifting of all the brains and character of the Empire can give.

American Survey

To survey in adequate range and detail the procession of public affairs and the development of economic tendencies in the United States presents a journalistic problem at any time. America is not "just another foreign country," and the interest of readers of *The Economist* in American affairs, even of the purely internal kind, goes far deeper than with those of any other country save their own. But in wartime, just when the affairs of the United States and Great Britain are getting daily more "mixed up together," the difficulties of reporting on American events are greatly increased. Cabled news is scanty, other information is shockingly delayed, and space is short.

The Economist has given a great deal of thought to the problem thus posed, but has always come up against an inescapable dilemma. Its one horn is to select for comment only the outstanding events and its other horn is to list in summary form a long catalogue of items without the comment needed, in many cases, to extract their significance. It is not claimed that the following three pages escape from this dilemma, even for a single week. On the contrary, they illustrate it. But it is hoped that by the mere juxtaposition of so many different items, some idea will be conveyed of the breadth and colour of the canvas on which the American democracy is painting current history.

The Fight for Public Opinion

THE isolationists have by no means abandoned the struggle. For a moment, the passage of the Lease-and-Lend Act seemed to decide the issue and the isolationist vote in the Senate fell to a mere handful on the Appropriation Bill. But the trend of the news in recent weeks, with its implication that either American aid to Britain will have to be intensified or else the risk of failure will have to be accepted, has led to a redoubling of their efforts. Senators Wheeler and Nye in public and Colonel Lindbergh in private are preaching America's lack of concern in the outcome of the struggle. To judge from two indications, the degree of success they are having is not large. The first is the progressive decline in the rationality and responsibility of their arguments, which are now hardly distinguishable from the crudest Nazi propaganda. Colonel Lindbergh, for example, declares that Britain is defeated and that the war is virtually over. The other is the steady trend towards belligerency in the opinions recorded by the various "polls"; in the latest, 71 per cent of those voting declare themselves in favour of American convoys if they are proved necessary. Mentally, the qualifying phrase "short of war" has already been dropped. The majority of public opinion is ahead of national policy; Great Britain is already treated by the public virtually as an ally; and prophecies of a declaration of war are rife. Yet the symbols of neutrality remain untouched; "cash and carry" is still on the statute book.

In these circumstances, the disquiet and impatience of the public are emerging in accusations that the President is not providing leadership. This is a situation with which Mr Roosevelt is familiar. It is almost exactly the same as that which ruled in November. Then, as now, the main issue had been decided in principle—then by the election, now by the Lease-and-Lend Act. Then, as now, the President waited for public opinion to catch up with his policy, to overtake it and to accuse him of lagging. Then he

reasserted his leadership in a series of rapid steps forward. The probability is that he will repeat the manoeuvre this time.

If this analysis is correct, a new phase in American policy is impending. To judge either by the necessities of the moment or by the content of the rumours that are current in Washington, the new phase will have a naval bearing. That is, indeed, the only field in which large new departures are possible. The programme of supply is already in train and is designed to occupy the full capacity of American industry. The financial problem has been regulated. American diplomacy is active and unambiguous. The fleet is the only asset already in hand but not already in use.

New Deal v. Business

BOTH from the President and from Mr Willkie, and from many less eminent voices, have come appeals for national unity in the present emergency. There is, indeed, substantial national unity on the objects of American policy. But earlier preconceptions die hard in the discussions of means to the common end. In particular, the old quarrel still rages over the rôle that private industry is to play. The business man claims that he can achieve most if freed from irksome controls; and he is accused of wishing to profit from the emergency to upset the verdict of the people, given in three successive Presidential elections. The New Dealer wishes to safeguard the social gains of the past eight years; and he in turn is told that he is using the nation's peril to further his sectarian ends. Unfortunately, after eight years, the distrust on either side is so deep that controversies such as these are not easily resolved.

An example of the harm that is being done in this way can be taken from the present state of labour relations in American industry. Both Capital and Labour believe that the new conditions in industry present them with an opportunity. The Labour unions have the better case in law. They rely on the New Deal statutes, particularly on the Wagner Act (which establishes the right to collective bargaining), on the Walsh-Healey Act (which imposes "fair labour standards" on Government contractors), and on the Wage-Hour Act (which fixes maximum hours and minimum wages). Indeed, if the unions relied on the law alone and if the law enforced itself, they would be in a strong position; but unfortunately for them the only way in which their theoretical rights can be established in practice is by provoking a dispute. The tactic is more likely to succeed if it is defence work that is interrupted, since the employers and the Government will then be the more anxious to reach a settlement. But strikes in defence industries anger the public, and the unions' case is further prejudiced by their habit of paying as much attention to the feud between their rival organisations, the AFL and the CIO, as to the rights of Labour. The employers thus have the stronger case in public opinion. They can point (with some exaggeration) to the time lost in defence contracts by strikes; they can inveigh against the 40-hour week and the "week-end black-out"; they can agree with the Army and Navy Departments (whose interest is to get production, not to enforce laws which are not their concern) to wink at the more restrictive clauses of the legislation.

The position of the law saying one thing and public opinion saying another is not unfamiliar in recent American history; but it never fails to be very embarrassing to the Administration. In this particular

instance, the President and his chief lieutenants evade the main issue and concentrate on establishing machinery for mediating in the disputes it creates. It is not a very courageous policy, nor is it likely to be very effective. But the President cannot limit the rights of the unions without abandoning one of the major aspects of the New Deal; and he cannot encourage them to assert their rights without risking a serious interference with the programme of production. Add to this dilemma the internecine feud of the rival federations and it is easy to predict that the last has not been heard of American labour troubles.

Labour relations provide only the most striking of the examples of old antagonisms persisting and even being intensified under the pressure of the defence programme. Business men are not precisely encouraged by reports that plans are in preparation for the strengthening of the already stringent anti-trust laws and for their employment, not merely for the negative purpose of preventing monopoly, but also for the positive purpose of forcing Government control on industries under threat of prosecution. Again, it has not escaped the attention of industrialists that the first operation of the new price-control machinery has been directed against Big Business. An order has been issued stabilising steel prices at their level in the first quarter of this year, in spite of the fact that an increase in wages has just been granted. On both these issues there is another side to the argument; the point is that the two sides persist.

It is not for the outsider to pronounce judgment on these domestic controversies. But he can legitimately point out that so long as they persist, so long as there is an unwillingness on both sides to suspend peacetime controversies in wartime, the unity of purpose and the magnitude of achievement of the American nation will both be less than they might be.

The Technique of Rearmament

THE same antagonisms spill over into the more technical aspects of defence production. There is a tendency on the part of the radicals, the reformers, and the labour spokesmen to maintain that American industry is incapable of performing the task of acting as democracy's arsenal without very extensive reorganisation and control by the Government. There is a contrary tendency on the part of industry to understate the adjustments and the disturbances that will be necessary.

The most important case in point is the steel industry. The present "reported capacity" of the American steel industry is about 84 million ingot tons per annum, and present production is virtually up to this figure. The battle has raged over the figures of probable requirements. The critics have assessed that defence needs alone will absorb more than the total capacity. The industry has replied that 80 per cent of the capacity of the industry would be available for civilian needs and would provide more steel than was actually consumed in 1940.

Behind these discrepancies have lain preoccupations with matters deeper than mere statistical veracity. The industry, for its part, has been anxious to avoid the creation of capacity that will stand idle after the emergency is passed—an anxiety in which it has been joined by the CIO union for the steel industry. The objection would be even stronger if the additional capacity were to be Government-financed and therefore Government-controlled. Rather than submit to what it considered an uneconomic expansion, the industry would prefer a restriction of civilian demand. Its critics, on the other hand, belong predominantly to the school that does not wish to sacrifice any butter for guns. They would rather impose an ex-

pansion on the industry, even if it were uneconomic in the long run, than have civilian requirements go short—and it may be supposed that their willingness to do so is increased by the fact that the steel industry has always been attacked for its attitude to both the labour and the anti-trust laws.

This controversy became so acute that the President called for a special report from Mr Gano Dunn, an accepted expert. As might have been expected, his report concludes that the truth lies somewhere between the contentions of the two sides, but rather closer to those of the industry than to those of its critics. The direct requirements of the Army, Navy, and Maritime Commission in 1941 are put at 8,100,000 tons, the export demand (mainly for Canada and Britain) at 13,400,000 tons. Civilian requirements are estimated at 61,000,000 tons, making a total of 77,500,000 tons. The 1942 figures are 4,500,000 tons for direct armaments, 14,500,000 for exports, and 70,000,000 tons for civilian needs, a total of 89,000,000 tons, or virtually the same as the estimated capacity at that time.

There is inevitably, to the European ear, a ring of unreality about these elaborate discussions of the extent to which the civilian demand for the most basic of all war materials can be met. The United States has more steel than the whole of Europe. The British, French and German armies, navies and air forces were equipped, and the peacetime civilian needs of 160 million people were met, out of an annual production of only just over 40 million tons of steel. In the light of these comparisons, the United States ought to have no insuperable difficulty in providing, out of its production of nearly 90 million tons, both for a very rapid rearmament and also for the basic needs of its people. On the other hand, some restriction of civilian purchases will certainly be necessary. Anticipatory buying is already swamping the market, and Mr Dunn's figures show that "civilian requirements" can be maintained in 1942 only if the phrase is taken to include all the indirect munitions requirement. The argument cannot thus be carried on in terms of black and white. It is not a case either of guns and unlimited butter or of guns and no butter, but of guns and some butter.

A similar argument has raged over the rôle that the automobile industry is to play—though, interestingly enough, with the rôles reversed. In this case it is the outside critics who urge a full utilisation of existing facilities rather than expansion of plant, while the insiders answer that fighting aircraft cannot be made in an automobile factory. A great deal of attention was attracted by the so-called Reuther Plan, a proposal by Mr Walter Reuther, leader of a CIO union, that the Detroit factories could turn out 500 planes a day. The experts rejected the plan on the ground that there would be a shortage of machine-tools and of alloy materials, and that armament could not keep pace with such an output. Here again, the hard facts of munitions technique put the truth nearer the assertions of the expert technicians than those of their critics. If mass-production methods could be adapted to the production of aircraft, the British and German industries would surely have moved in that direction under the extreme pressure for output that both have felt.

But the discussions aroused by the Reuther Plan have nevertheless had beneficial results. In the planning of rearmament in a democracy that is still at peace, there is a constant struggle between the alternative principles of improvising with what is at hand and planning wholly new additional facilities. The designer, a professional perfectionist, naturally inclines to the latter alternative, and he is supported by all those who are reluctant to disturb existing civilian business. British rearmament has suffered from this unholy alliance from the outset. But improvisation, if it imposes the maximum disturbance, does the job in the minimum time. It is probably true

that modern fighting aircraft cannot be made in an automobile plant. But the automobile industry can help in a number of ways. It can make components—and every automobile plant in the United States is now doing so. It can lend its skilled toolmakers and patternmakers—the industry is releasing them by abandoning new models and the "tooling up" they would require for the duration. It can train new skilled mechanics—every plant has a training scheme in operation. The extent of the industry's assistance is growing week by week, and the encroachments upon its normal business are already so severe that civil production is to be cut by 20 per cent.

Discussion of the financial implications of a vast rearmament programme is also moving into a new and more realistic phase. As long ago as last December the Board of Governors of the Federal Reserve System presented a programme for making inflation impossible by reducing the present enormous potential volume of bank credit. These proposals seem to be inspired by somewhat naïve quantity-theory illusions; there has been an enormous supply of money in the United States for years without inflation resulting, and no credit stringency will prevent an inflation of prices if the Government and the public between them try to buy more than the community can produce. But at least the Federal Reserve proposals showed how completely the circle had turned from the inflationary plans of eight years ago.

Somewhat more realistic have been the recent proposals of Secretary Morgenthau for increases in taxation. The present estimate of revenue in 1941-42 is a little over \$8 billions; Mr Morgenthau proposes to increase it by \$3½ billions. The proportion shows that the increases in taxation will be sharp. No hint of their nature has been given; but they will almost certainly include increases in direct taxation on the middle incomes. (A married man with no children pays in tax 1.76 per cent of an earned income of £1,000, or 5.28 per cent of an earned income of £2,500; the British figures are 35.11 per cent and 45.05 per cent.) If the Secretary's proposals are adopted, the revenue will amount to two-thirds of the Budget estimate of expenditure, which is about \$17½ billions. But this figure does not include the Lease-and-Lend expenditures, for which Congress has passed an appropriation of \$7 billions. And with a national income that will almost certainly be \$90 billions before the year is out, the revenue total of less than \$12 billions, even after the Secretary's proposed increase, still looks minuscule. Obviously, this is only a first step in war taxation—but the first step is a portent.

Aid to Britain

SHIPS, planes, tanks are the three vital items on the list of supplies to be sent to Britain under the Lease-and-Lend Act, and on each there is progress to report. In merchant ships the objective of American building is a rate of 5,000,000 tons a year. This, with perhaps 1,000,000 tons from British yards, would be enough to offset sinkings at the rate of 125,000 a week and would provide virtually complete security. But the 5,000,000-ton rate is not to be reached for another two years. American shipyards will turn out about 1,000,000 tons of merchant shipping this year. The rate of production will be over 1½ million tons by the end of the year. But there is all too obviously a large deficit to be met in the next two years.

There are three sources from which contributions can be made. The first is the 545,000 tons of Danish, French, German, Italian and other immobilised ships now in American harbours. This is a legal question, which Congress is in process of resolving. The second is the requisitioning of American ships now on ocean service, but not absolutely essential. A beginning was made with this last week, when the Maritime Commission requisitioned four liners, which are expected to be transferred

to Britain. The third source would involve drastic adjustments and cannot be regarded as more than a possibility at the moment. This is the suspension of American inter-coastal trade by sea and the transfer of the ships now engaged in this trade.

Meanwhile, the shipbuilding programme is going ahead with speed and energy. In the last war American shipbuilding rose from almost nothing to well over 3,000,000 tons a year in little more than two years. This time the conditions are more favourable, particularly since a very substantial programme of building for the Maritime Commission's 500-ship plan was already under way. On March 1st of this year the United States already possessed 119 shipbuilding ways and 142 more were under construction.

In the field of tanks the good news arrived this week that the first medium-weight tank of the new British-American design was completed on April 19th and that before long the factory that produced it will be turning out three a day. This company, the American Locomotive Company, and the other firms concerned in the programme, the Baldwin Locomotive Works and the Chrysler Corporation, are all well ahead of the schedule. To overwhelm the German armoured divisions, tanks will be needed in the scores of thousands. To produce 60,000 of them in twenty months will require not three, but 100 a day.

The manufacture of aircraft for Great Britain has been going on in the United States ever since the outbreak of war and the air programme, unlike the tank and ship programmes, is therefore reaching maturity. The gigantic Boeing "Flying Fortresses" are now delivering themselves in England, and breaking the Atlantic record on the way. These planes have four engines of 1,200 h.p. each and they have a range, with a very heavy bombload, of 2,450 miles.

The ultimate target at which the American aircraft industry is aiming is a monthly output of between 3,500 and 4,000 planes a month. The programme is behind schedule and the March output was no more than 1,216 planes of all types, of which 1,074 went to the British and American Governments. But the phase of rapid increase is now beginning and it will not be many months before the British share alone will be approaching 2,000 a month. In this, as in nearly every other respect, the crucial point when productive ascendancy will be decisively gained is within the next six months.

The details of the application of the Lease-and-Lend Act have not yet been made clear to the public in either country. Reference is made on page 560 to the loan of \$25 millions that has been made on the security of a British-owned tobacco company. This was said to be "in line with the policy of the United States Government to require the liquidation of British-owned American investments." It will, however, be a gain if the pledging of assets can take the place of their outright sale.

Some further clarity has also been given to the financial relations between Canada and the United States. Canada is reluctant to obtain munitions for her own use under the terms of the Lease-and-Lend Act; but she will need some assistance in meeting her adverse balance of payments with the United States. It has been announced after discussions between Mr. Roosevelt and Mr. Mackenzie King that American purchases of Canadian raw materials will be increased and that Lease-and-Lend procedure will be applied to Canadian purchases of machinery and components needed to fulfil British contracts. A further possibility was mentioned by Secretary Knox on Wednesday of this week, namely, the sale of Canadian-built ships to the United States and their subsequent transfer to Britain under the Lease-and-Lend Act. The President and the Prime Minister declared their intention of integrating the Canadian and American production programmes as closely as possible. Eventually, American production will swamp that of Canada. But in the meantime there are lessons that the United States can learn from Canada, whose war output is already very much larger than its 1918 peak. There is hardly a weapon of modern warfare that is not being made in quantity in Canada.

Branded Goods in Wartime

THE full implications of the Government's scheme for concentrating industry have yet to be worked out. Two points are generally agreed: first, that concentration is necessary for the efficient use of labour and factory capacity in war conditions; and, secondly, that there is a considerable danger of creating monopolies which it will be hard to dissolve when the war is over. Among the critics there has been some confusion and wasted effort. The 1941 Committee, for instance, in a recent broadsheet speaks as if the deliberate purpose of the Government's scheme was to sponsor monopoly. "The jam which is intended to make the powder palatable (the broadsheet declares) is a fantastic promise about the restoration of small firms after the war." Actually, there is no conspiracy to be smelled out; concentration is one of the ways and means of war; and the proper rôle for men of good will and common sense is surely to propound practical methods of concentration whereby the risk of hard and lasting monopolies may be minimised.

As a matter of fact, the "monopolists" are not all on one side in this matter. In a recent letter to the *Times*, the President of the Institute of Incorporated Practitioners in Advertising, while admitting that some contraction in the range of goods available to consumers might be unavoidable, expressed the hope that the importance of maintaining the existence of established brands and brand names would be fully realised. In many quarters arguments are being brought forward in favour of giving branded goods special consideration in the coming concentration. The arguments merit attention. By the closing of works making well-known branded or proprietary articles, goodwill built up over many years with much expense may be destroyed. Chain and department stores which have come to rely upon the sale of branded and price-marked goods will be embarrassed. Many branded goods are, in fact, superior to the unbranded article; and, especially in such lines as the pharmaceutical trade and sports gear, British brands have a powerful export connection.

But this is wartime. The fundamental question is whether any product can prove a claim to special treatment in a scheme the single aim of which is the efficiency of the war effort. There are many branded goods whose claim to superior qualifications would not bear close scrutiny, and the common qualities of almost all branded goods are not specially desirable in wartime. It is the advantage of branded goods in normal times that they are packed, tinned, or wrapped in clean and convenient containers. Their price is fixed, and their weight and contents are plainly stated. They save time and trouble. But in wartime these are to a large extent luxuries—and wasteful. Paper, cardboard, tins, tubes, jars, bottles, and all kinds of containers—these are precisely the things that ought properly to be economised. This is a problem, not of status or prestige, important though these considerations may be, but of physical supplies. Even if the qualities did generally exist in branded articles to justify the higher prices that must be charged to cover the producers' outlay on materials, publicity and machinery, loose, plain, unbranded, and unheralded products would still seem preferable in a war economy. Nor would this necessarily represent a loss to the consumer. The ILO recently drew attention to a memorandum of the Department of Health for Scotland which observed:—

Unnecessarily high cost (in prescriptions) can also be caused by the use of certain proprietary medicines which, in spite of the quasi-scientific claims made for them, can be replaced by equally pure, effective and much less costly medicaments.

Examples were given:—

Prescribe Paraff. Moll. Flav. at 1d. per ounce and not Vaseline at 2d. per ounce; prescribe Calcium Sodium Lactate Tablets (50) at 1s. 6½d. and not Kalzana Tablets (50) at 8s. 8½d.

Medicines are only one corner of the disputed field. Were it not for the strong points established by costly advertisement, it would not be unreasonable—in wartime—to expect housewives to buy soapflakes and smokers cigarettes and tobacco, all loose. It would be a saving in supplies of metal if expensively packed and publicised tooth pastes were replaced by the simple powder which still forms the principal substance of the elaborate branded cleansers. The question of goodwill is important and powerful. It was this consideration which delayed the unbranding of so vital an article as margarine for many war months. But its only validity, in face of unmistakable war needs, is in sales abroad. The loss of brands in home trade would be a misfortune for branded manufacturers. War economy implies misfortune for civilians; and if the consideration of efficient production—that is, output with the minimum use of labour, plant and materials—really dictates the suspension of separate brands, all that can be claimed by the owners of the brands is some earnest of an opportunity, after the war, to restore them.

Moreover, even in peace time, the chief feature of retail trade is its redundancy. There are too many shops and too many varieties of the same article. On the shopkeepers' side, as a consequence, there are too many traders struggling on the margin; and, on the consumers' side, too much is paid out in the swollen prices required to maintain this inflated apparatus of retailing. If rationalisation was desirable then, it is imperative now; and a reduction in the number of brands will be a vital part of the process.

There is another point, no less important, in the same field of civilian manufacture and retail trade. The President of the Board of Trade was anxious to explain to the House of Commons on March 28th that his plans for concentration would not lead to monopoly. He asserted that trusts were only feasible "where large quantities of homogeneous products are produced"; with consumers' goods, he said, monopolies were "utterly impossible." This is disingenuous. The trade in consumers' goods is overridden with retail trade associations. The main supports of these associations are generally the big firms in the trade, and in many cases their power and influence are enhanced by their relation to cartelised manufacturers whose standardised and branded articles they distribute. Any preference given by the Government to the manufacturers of branded articles—even if the preference only expressed itself negatively in special exemptions from the concentration scheme—would run the risk of strengthening the monopolist tendencies of these bodies. The tendencies are plain enough. The price of a branded article is always a "minimum" price; the retailer who finds it possible to undercut this price by a fraction must expect to be put on "the black list," not only as regards this article, but also for many others. Any fresh preference in favour of the manufacturers and retailers of branded goods would strike hard at the independent retailers who sell unbranded goods and are often no members of a retail trade association. The first object of concentration is to secure efficient and economical wartime production. The second must be to balance fairly the different interests involved. The small independent shopkeeper has admittedly no special claim to weigh against the national interest. But the claims of trade associations and branded manufacturers are not a whit greater.

NOTES OF THE WEEK

Lord Stamp

It would be the crown of many an ambitious man's career to be Chief Economic Adviser to His Majesty's Government, or chairman of the world's largest railway, or President of the British Association, or Director of the Bank of England, or a member of the Dawes and Young Committees, or the country's leading expert on taxation. Josiah Stamp filled all these posts and filled them with distinction, as well as a countless number of positions that were minor only for him, such as the presidency of the Royal Statistical Society or the chairmanship of the trustees of *The Economist*. When asked, "How do you do it?" Stamp would smile as if to suggest that it was easy; and so it seemed to be for him, for his mind and his tongue could both move at twice the ordinary speed, while his body apparently never knew fatigue. It was inevitable that, towards the end of his life, there were evidences of haste in some parts of his immense output. But the average standard was amazingly high, and if a man's intellectual calibre can be judged by a combination of standard and output, then Stamp stands at the head of his generation. All through his many careers ran two constant threads. One was a passionate interest in economic science, particularly in its statistical aspects. At the beginning of his life he is said to have secured promotion in the Inland Revenue by using Pareto's Law to determine the number of tax evaders. And at the end, his annual speeches at the LMS meeting were treatises in practical economics. The other constant thread was a very sincere, practical and personal Christianity. Like many other supremely successful men, Stamp had his detractors; but it was impossible not to feel affection for him. His large, active, friendly personality will live for many years in the memories of a crowd of friends in very many and varied walks of life. It is impossible yet to grasp the dimensions of the loss that the nation has suffered from his tragic and untimely death.

Greece Defeated?

The retreat in Greece has gone on, and the Greek King and Government have moved from Athens to Crete, which now becomes the key to Near Eastern defence. Never after the German attack began had the Allied troops found a line to stand on, even in the mountain passes; and it has been a triumph for brave and brilliant



resistance that the invaders, with their overwhelming superiority in numbers of aircraft and tanks, have never yet been able to catch and break through the Imperial and Greek forces. The Yugoslav collapse rendered the Greeks in Thrace and Macedonia helpless and caused the Allied armies to fall back on a line from Mount Olympus to the eastern edge of the Greek front in Albania. It opened the doors into Albania itself for westward-marching German columns; and, pursued by the defeated Italians with German stiffening, the withdrawal of the Greek victors into the Epirus began. The Allied link to Albania was lost; the hinge on Mount

Olympus was remorselessly battered; the retreat was resumed; and the Germans poured into the plain of Thessaly, to the road and rail junction of Larissa and to the port of Volos. In their path to Athens and the Gulf of Corinth there were now the Othrys mountains. They struck over them, against heroic resistance, to Lamia and beyond. Once again the Germans had struck shrewdly with dominant force against every weak place and joint in their enemy's battlefront. East of the Pindus, the Allied forces had been beaten steadily back; but they were still intact when they came to Thermopylae. West of the Pindus, however, where the Greeks, cut off from the Western armies, had come back to Epirus from Albania, safe withdrawal was not possible. The Germans struck south-west from the Thessalian plain through the Metsovo pass to Janina. On Tuesday the army of the Epirus surrendered; and as pressure on the short Allied line in the hills south of Lamia began, the sad proclamation of King George was announced as he sailed for Crete. The enemy's superiority in bombers and tanks had been decisive at every stage. This time the Imperial forces were excellently equipped and trained. Man for man, tank for tank and plane for plane, they were superior, and proved it by the toll they took. But they were vastly outnumbered; and it will remain a marvel that, with the command of the air also denied them by weight of numbers, this third "contemptible army" avoided being overwhelmed.

Halt in Egypt

For a week the initiative in North Africa has been British. True, the battle has been local since the German thrust died away on the Egyptian borders; but, since the Germans were halted, they have suffered many sharp blows. Last week, a convoy bringing transport and troops was annihilated by naval action. Tripoli has been devastatingly shelled from the sea and repeatedly bombed from the air. Around Sollum and near Bardia, too, naval and air bombardments have inflicted losses, while repeated attacks on the garrison of Tobruk have been heavily flung back and even followed by punishing sorties. The attack has probably not been stopped in its tracks; careless of losses, the enemy offensive may be resumed, by the coast and inland. But no headway has been made for some days, and for all their surprising success in bringing an army by sea to Africa, the Germans are still weak on the water. In the Balkans, their supplies of men and equipment were, for all practical purposes, limitless. In Egypt, they will be confined to what they can ship. There is a great opportunity here for the Navy to ease the strain on the waiting and weakened Army of the Nile, an opportunity for daring—and hazard. The situation is still grave; reinforcements from East Africa take time to transfer with their material; and, in Abyssinia,

RIISING VALUES

All Fire Insurances effected at pre-war, pre-purchase Tax figures, should be increased.

THE
LIVERPOOL & LONDON & GLOBE
INSURANCE COMPANY LTD.

is at your service

Head Office.
1 Dale Street, Liverpool, 2

London:
(Chief Office): 1 Cornhill, E.C.3

both in parleys and in manœuvring, the Duke of Aosta, whose forces in the district of Dessie are still undestroyed, is playing a delaying game. It is probably airpower that will tip the scale; and in the air here the RAF have done outstandingly well. It is true that air-power over the sea enabled the German troops to arrive; but great losses have been inflicted by the personal and technical superiority of the RAF; and, with more tanks and more men on the ground, this advantage may stop the invaders.

* * *

Spain on the Brink?

All the evidence goes to show that Spain will not be allowed to hold her hand much longer. The report that a request has been made for the passage through Spain of German troops suggests that the Spanish decision must shortly be taken. During the last fortnight public opinion has been further prepared for the final step, both by an intensification of the Press campaign against Britain and by belligerent radio comment. The German necessity, at the present stage of the war, to control the straits of Gibraltar is clear. Such a move would be the natural complement to the increasing pressure now being brought to bear on Turkey with a view to eventual control of the eastern Mediterranean. While Spain has every domestic reason—lack of political unity, a shattered economy, disastrous food shortage and an outbreak of typhus—for wishing to avoid implication in the war, she may have very little power to resist. It is true that the acuteness of the food shortage in Spain and the inability of Germany to relieve present economic sufferings lends an unusual importance to the food and capital imports permitted by Great Britain and provides some safeguard against transfer to Germany of the British £2,500,000 loan. Britain can offer to meet a pressing need which cannot be supplied by Germany and, consequently, it is to General Franco's advantage to continue to sit on the fence as long as possible. If Spain is in no form or heart to fight for the Axis, she is, however, even less well placed to resist its demands when Germany decides that the critical step must be taken. With Germany in virtual control of French Morocco, hopes and fears for the future of Spanish Morocco must, of course, play an important part in inducing compliance with Hitler's plans. German troops already stand on the Spanish frontier at the western end of the Pyrenees and infiltration has been taking place for several months. But if a German army does succeed in installing itself in Andalusia in the course of the next few weeks, there is good reason to believe that Gibraltar will prove a hard nut to crack. Moreover, in southern Spain the British are on excellent terms with the local population and officials and it is safe to assume that a German army of occupation would not meet with a wholly Falangist reception.

* * *

Blow for Blow

The topic of reprisals is burning again. Newspapers, even in the same stable, are quarrelling about the wisdom of striking "blow for blow" when British towns are blitzed. The Prime Minister has promised bombed citizens that "they" will be "given it back." On the night after the Luftwaffe's "reprisal" raid on London, Berlin was bombed; and Mussolini has been officially warned that if Athens (as distinct presumably from the port of Piræus) or Cairo is bombed the systematic raiding of Rome will begin. The question is: What does "blow for blow" mean? The simple fact is too readily overlooked, in unofficial comment at any rate, that in war strategy there are no such things as reprisals *per se*. There are shrewd blows, glancing blows and misses. If to bomb Berlin or Rome, after London or Athens has been bombed, will aid in imposing our will upon the enemy, it should be done; and the susceptibility of German and Italian metropolitans to direct assault may, admittedly, be a chink in the Axis. But revenge in itself is not policy. The outcry among bombees in London for Berlin to be bombed is natural; but it needs translation into military values before it is acted upon—as it should be. The geographical fact that, until British bombers can safely fly towards their goal in daylight, Berlin and Rome can never be bombed so long and intensively as London can is incontrovertible—whatever the size of the bombers and the weight of the bombs. Officially, the

Government does not believe in reprisals, and the bombing of Berlin after London was, officially, a coincidence; it was part of the master plan to weaken and dislocate the enemy's war machine, the plan which has wrecked a large part of Kiel. It may, of course, be good policy to frighten Mussolini and his Romans, and the warning was good propaganda—though it is Hitler who will decide whether the risk is to be taken, not the menaced Duce. The story, also from Downing Street, that Italian planes were ready to drop bombs on the Vatican City if British bombers came over Rome, was surprisingly circumstantial. But it was good Goebbels, and can lose nothing of its provocative effectiveness for being true.

* * *

Testing the Fire Fighters

Some particularly heavy air-raids in recent weeks have fully tested the efficiency of the half-voluntary, half-compulsory fire prevention scheme inaugurated in the New Year. The failure of the raiders to start fires on a scale approaching those started in the first raids on provincial cities or in the City of London on December 29th is evidence enough that, whatever the shortcomings of the scheme itself, it has certainly aroused in the public a sense of awareness to incendiary bombs. Whether official fire-watchers or not, most people are alive to the danger of unattended bombs and empty premises, and even places which have not yet been raided are not likely now to be caught entirely unawares. The work of fire-watchers during the raid on London on April 16th, probably the heaviest and most widespread the capital has experienced, has won semi-official commendation, and, indeed, their activities are sadly illustrated by a number of announcements of deaths "while on fire-watching duty." But it is still true that this duty—and danger—is shared by too few people, and that in some areas the local authorities are doing little or nothing to discharge their obligation to make adequate arrangements for fire-watching in residential areas. There is ground for congratulation that no fires in the big London raid became conflagrations, but the fact remains that the fires were very numerous and the strain on the fire-fighting services in London and other bombed cities is still great; it is intensified in some areas by a shortage of water. Moreover, although there is complete willingness on the part of the fire brigades of different local authorities to give mutual help—a willingness which prompted Dublin to help Belfast—it is sometimes defeated by stupid practical difficulties. There are reports of Cornish nozzles not fitting Devon hoses and similar stories, which, although perhaps exaggerated, are typical enough to be substantially true; one urban brigade has been called many times to distant areas and has never yet been able to use its own gear because of differences in size and type. Such practical deficiencies could easily be overcome, since the Regional Commissioners have the power—and the duty—to co-ordinate the civil defence services of all the authorities within their jurisdiction.

* * *

Local Government

The fact is emerging that, under fire, local government has worked by no means well. There has been no lack of zeal and effort, but too often there has been a sad want of competence and foresight. The fault is parochialism—which is forced upon local authorities by the system itself. The parish virtues—those of a close communal spirit and neighbourly loyalty—faded long ago in face of urbanisation; and the ebbing interest in local politics, except as a clash of vested claims, has borne witness to this for more than a generation. In place of the virtues, there are the parish deficiencies, which add up to a narrowness of outlook and a shortage of vision—and cash. The organisation of ARP from the outset, for instance, was shortsightedly done. Meagre salaries brought into the full-time executive posts men who could command no positions of responsibility elsewhere. Job after job was added to the variegated tasks of town clerks. The permanent personnel of the posts and shelters tended to be citizens who had not the qualities to find other work. The elected representatives on local councils, group leaders rather than the locality's best men, have too often failed to see their defence tasks in the round. The actual ordeal has, admittedly, burnt away much dead wood. Gallantry and the talent of individuals for hard work and improvisation have made a

success of unpromising plans; and, in the battle, ARP has stood up better than its local framework. A wise provision set up Civil Defence Regions to cement local effort, and it is still a shortcoming that control is not used boldly. The disparity of local fire-fighting equipment in a scheme which hangs upon mutual aid and inter-local mobility is only one instance. Another is the nightly dispersion from bombed areas in search of quiet and safety. In London County there is a regional authority ready made, to billet the homeless over wide areas and to organise air-raid care; and there are tube shelters. In towns like Southampton it is different. When the wanderers cross the borough boundary into the county, the borough's responsibility, it seems, ceases; there are no powers "outside the area"; and only voluntary aid and private kindness have a care for the nightfarers. Yet the local authorities, singly or in alliance, have all the powers they need to requisition, to billet, to house and to shelter. If it is finance that bars the way, as is the case again and again, then here too there are regional ways and means; no citizen should become a refugee simply because he or she crosses a line on the map. Administratively and financially, the regional future of local government—long discerned by some—has been made very plain by the war.

* * *

New Pressure on Vichy

The stage reached in negotiations between Hitler and the Vichy Government remains obscure, nor is much light shed by reports of Admiral Darlan's increasingly frequent journeys between Vichy and Paris or of terms carried by Otto Abetz from the Fuehrer. There is sound reason to believe that the pressure on Marshal Pétain is being increased, coincident with that being brought to bear on General Franco, to permit, at some date, the passage of German troops through unoccupied France to Spain and thence to Gibraltar. But there is as yet no clear evidence whether the pressure is compounded more largely of threats—to dispose Vichy and reinstate the pro-German *cadre* of Bonnet, Laval and De Brinon—or of bribes—to reduce French payment for the army of occupation and to release French prisoners for farm work. It is possible that Germany now requires control of the French Navy and Naval bases and that their transfer would necessitate a shift in personnel, with or without the grant of concessions. So far, apparently, Marshal Pétain has rigidly maintained his code of honour and his insistence on observance of the armistice terms. His continued control of the French fleet has been his main bargaining counter. The fleet is still under the control of Vichy, and while it remains so it continues to be possible for unoccupied France to exercise a measure of control over its own destiny.

* * *

Lancashire Complains

The Lancashire cotton industry has no wish to be "concentrated." From the beginning of the present discussions, it has clearly preferred the method by which the manufacturing permitted is spread over all the plants; and, since no manufacturer in common sense can prefer a state of chronic underemployment throughout the industry, the demand has been, by implication, for enough work, that is, enough supplies, to keep all the plants going. As it stands, this claim is quite untenable. It is significant, because it illustrates the sort of argument with which the Board of Trade, in its efforts to release the maximum amount of labour and materials from civilian work, will be faced from several sides. It is Gilbertian that, at this stage of the war, plans to maximise the war effort should still be greeted by the old plaint that unemployment will be created by them. In detail, the argument is that, of the 50,000 workers whom it is hoped to release from the manufacturing side of the industry, 20,000 are married women whom it will not be possible to move to war work. It is, of course, very often not feasible for wives and mothers to become migrants, though no effort should be spared to induce the wives with few ties, with no children and with husbands serving or working elsewhere, to play their part in essential employment. There will be every sympathy for Lancashire's local problems, and there is every reason for ingenuity in solving them. But Lancashire is a region of industrially trained women. It is now a hive of war industries crying out for labour. Where the workers cannot move, the work must be taken to

them, to the factories and workshops in their own districts. Far more than 50,000 fresh war workers are wanted in this region alone, and any plans to bring the cotton industry into line with the war economy must envisage the biggest possible release and use of men and women workers in face of all special and local difficulties. It is worth noticing that the weavers, for their part, are complaining about the underemployment which is persisting, while the decision as to which weaving sheds shall be shut down is delayed. No special pleading can alter the fact that the supplies and the labour allotted to the industry must be cut to the absolute minimum. The Government's responsibility is to see to this, and, further, to ensure, by every possible device of imaginative planning, that the labour—and the plant—released are given employment and remuneration in the war effort.

* * *

War Weapons Ballyhoo

Lord Kindersley has given what he calls the complete answer to critics of "War Weapons Weeks ballyhoo." The answer is that small savings during War Weapons Weeks in the three months December to February averaged £3 17s. 3d. per head of the localities where they were held, while the average weekly small savings over the whole country in the same period amounted to only 4s. 8d. per head. It may be that there have been critics foolish enough to allege that the War Weapons Weeks do not bring in the money, and to them Lord Kindersley has indeed given the answer. But he has missed the point of the more responsible criticism. This is that money raked in by these intensive local campaigns serves no useful purpose unless it is the fruit of abstention and economy. Subscriptions by local branches of banks, insurance companies and other large institutions, the proceeds of sale of other assets, money taken out of the safe or the stocking, the anticipation

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 & Subscribed £10,000,000

CAPITAL PAID UP £2,500,000

RESERVE FUND £3,000,000

BOARD OF DIRECTORS

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

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: Africorum, London

London Wall Branch: 61 LONDON WALL, E.C.2

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

NEW YORK AGENCY: 67 WALL STREET

EXECUTOR AND TRUSTEE BUSINESS CONDUCTED

COMMERCIAL SERVICE

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

of future income that would be saved in any event—all these contribute to the impressive totals of the War Weapons Weeks. But none of them perform the economic service to the community that the National Savings Campaign is intended to promote—namely, the release for war service of resources of labour or materials that would otherwise have been consumed. If Lord Kindersley wishes to give a really "complete answer" to the critics of War Weapons Weeks, he should adduce evidence to show that, for that week, the local shops do no business, the pubs are empty and the cinemas deserted. The National Savings Campaign has no enemies and its purpose is beyond reproach. It is a pity if those who venture constructive criticism of its methods are to be treated as hostile witnesses who require "a complete answer."

No Hope?

In the Commons on Tuesday Mr. Amery again stated the Government's attitude towards the *impasse* in India. It was far from hopeful. Rightly, the Secretary of State underlined the disregard for their democratic responsibilities shown by the withdrawal of the Congress ministries from seven provinces eighteen months ago. Rightly, he emphasised—perhaps with a certain disingenuous over-stress—the totalitarian implications of the Congress claim to represent the entire Indian people in a single party. Rightly, he pointed to the "terrible dangers" that would be involved in the partition of India by the Moslem plan for a separate Pakistan. Rightly, he claimed that the only true solution for the problems of Indian government must be agreement among the major elements there; and he made it quite plain that, if that agreement could be achieved, the working out of a new constitution for India after the war by representative Indians under the Viceroy's suspended offer would "not be bound in any way"—except, presumably, by Britain's "obligations" to minority interests, a lasting stumbling-block in Nationalist eyes. The Indian Liberals, a handful with no mass following, have put out a plan for an all-Indian executive; Mr. Amery claims, again rightly, that—even apart from the difficulty of altering the character of executive government in wartime, a significant reservation—the plan should be addressed to the main leaders of Indian opinion for agreement and not to the Government of India. The official attitude is consistently right—and completely negative. It may be, of course, true that nothing whatsoever can be done until the Mountain comes to Mahomet—Mr. Gandhi to Mr. Jinnah. If it is true, then the "terrible dangers" Mr. Amery spoke of are very real; the vital war effort of India will be shackled; exacerbations will spread and fester; and the British people should be prepared for the worst. In this country as well as in India, it is believed by men of goodwill—and this belief was voiced by speakers from all parties in the Commons—that something can be done, or at least that something should be attempted. It is hard to be convinced for certain that every quality of leadership has been shown in attempting to secure that minimum measure of agreement that Mr Amery says is essential—but suggests is impossible.

Rejoinder in Iraq

By landing "strong Imperial forces" at Basra to keep the lines of communication open in Iraq, the British Government have taken Sayid Rashid el Gailani—now Prime Minister and leader of an administration which has received the formal approval of the National Assembly—at his word. Since his seizure of power, the new Prime Minister has publicly affirmed his Government's determination to honour its obligations under the Anglo-Iraqi Treaty of Alliance of 1930, a treaty which empowers Great Britain to maintain troops and air fields in Iraq for the protection of transport and communications. On the face of it, there is no ground for disagreement between the two Governments; the procedure is normal and regular. There is little doubt that German influence, which has been actively fostering anti-British sentiment in Iraq, as in Syria and Palestine, will have received a disconcerting blow both through the timely and legalised arrival of British forces in Iraq and from the spontaneous popular enthusiasm with which they were apparently greeted. From the Allied standpoint, the importance of ensuring that Iraq shall afford at least the same facilities to Great Britain as are provided by Egypt is obvious.

Not only is Iraq the custodian of the pipe line and an essential link in the air route to India, but, if it were to pass under Axis control, it could provide, in alliance with a pro-axis Syria, a grave threat to Turkey. There is no reason to expect that the arrival of Imperial troops will bring German activity in Iraq to a halt, but their presence should give pause to potentially pro-German elements.

The Eclipse of Yugoslavia

With the German claim that Yugoslavia formally capitulated at 12 noon on Friday, April 18, the last relic of the post-1918 "security system" is destroyed. The Southern Slavs have succumbed to a powerful union of Prussia and the pro-German elements among the heirs to the Dual Monarchy, and the work of the Paris Peace Conference is undone in yet another respect. This is the significance, in the terms of history, of the Axis victory in Yugoslavia, where, despite the probability of guerilla resistance, military activity virtually came to an end with the surrender of the Second Yugoslav Army Corps at Serajevo on April 16 and the failure from that time to maintain a unified command. It seems likely that Germany will treat Yugoslavia on the Polish rather than on the Western European model. Occupation is not enough. The State is to be dismembered, portions passing to Italy, Hungary, Bulgaria, and the Reich itself, with, perhaps, the restoration of a puppet government under Italian control in Montenegro. Croatia is to form a Quisling state under the leadership of Anton Pavelitch, chief of the murderers of the late King Alexander. For Serbia itself is to be reserved the final tyranny—government by a Reich commissioner as in Central Poland, and it is to be feared that the Yugoslavs will pay dearly for their last minute decision to rally to the cause of freedom. Their future is now linked with that of the countries which fell earlier under German occupation in vital dependence on a British victory. Meanwhile, King Peter and General Simovitch, who managed to reach Athens, and thence Jerusalem, provide the nucleus for continued national resistance in which escaping Serbian troops, the mercantile marine, and Yugoslavs in this country and the United States may still play an important part. In his proclamation to his people on the day of his departure, King Peter provided an assurance of his determination. "I do not mean to abandon the struggle;" and Mr Eden has replied to this assurance with a declaration in the Commons, on behalf of the Government, of its intention "fully to restore the independence of Yugoslavia."

A Shortage of Doctors?

In reply to a request from the British Red Cross, President Roosevelt has appealed for a thousand American doctors to volunteer for work in Great Britain in the RAMC or the Emergency Medical Service. This need to import doctors is at first sight rather surprising. Before the war the British Medical Association was so fearful of a medical surplus that very few of the considerable number of refugee doctors were allowed to practise or take up hospital appointments in this country, although the latter ban was removed a few months ago. Moreover, the scale of war casualties, among both the Services and civilians, has been unexpectedly light, and the state of the nation's health remains surprisingly good. It seems clear, in fact, that it is not so much a question of shortage as of faulty distribution. In theory, the medical services of the nation should be as mobilisable as any other asset, but the corollary—concentration—would be almost impossible to carry out, because the whole value of a doctor's practice is represented by goodwill—which, even in industry, is often proving to be a great stumbling-block. There seems, however, a case for examining whether waste is not caused by the hard dividing line between the five different medical services—those for the Army, Navy and Air Force, the Emergency Medical Service and private practice. Under the present system, doctors have been called up and have frequently found themselves with nothing to do, while their partners or colleagues are struggling to cope with practices heavily swollen by evacuees—although the Central Medical War Committee is, it is true, trying to call up doctors mainly from areas where they can best be spared. Moreover, there may be

an RAF hospital, overcrowded with patients and understaffed, and a military hospital, empty and overstuffed, in the same place, but the one is unable to help the other. What is wanted, in fact, is a single medical service, a Royal Medical Corps, which would alone be responsible for seeing that all the medical requirements of the nation were adequately satisfied.

Party Recriminations in Australia

Australia's anxiety about the fate of the Anzac troops in Greece is, of course, most understandable; but a section of the Australian Labour Party is evidently trying to make political capital out of the struggle in the Near East. Dr. Evatt, one of Labour's representatives on the Advisory War Council, has complained that the Council was not consulted about the transfer of the AIF to Greece, and from different parts of the country calls have come for the reassembly of the Commonwealth Parliament to hear "the facts." Mr. Fadden, the acting Prime Minister, has agreed to the reassembly of Parliament, but a broadcast from Mr. Menzies, who has been constantly in touch with the War Cabinet, has appealed to Australians for no recriminations. There is no evidence that the Australian people as a whole regret the decision which has won for the Anzacs' operations the description "brilliantly conducted." Moreover, the Labour party has only itself to blame that it was not consulted about the transfer. It has consistently refused to join an all-party administration under Mr. Menzies, and, as the Prime Minister pointed out in his message, discussion on a major decision of war strategy, which in London was confined to the War Cabinet, could not have taken place in a Council which has no responsibility. The Australian Government itself was, of course, fully consulted before the decision to move the AIF was carried out. If the leaders of the Australian Labour party wish to be consulted on such matters, they must be willing to accept responsibility. Not strong enough to form an administration themselves—in the House of Representatives the Labour Members, including unofficial Labour, are exactly equal to the members of the Government parties, while in the Senate the Government has a majority of

two—they must surely see that the time has come for them to accept Mr. Menzies' offer of seats in his Cabinet. If, for the sake of a party programme, they still refuse to do this, then the least they can do is to keep quiet while—in Mr. Menzies' words—"the tempest is raging."

Shorter Notes

Now that expenditures all over the world are reaching astronomical figures, the meaning of the word billion is under discussion, and the Prime Minister was asked this week whether uniformity in the use of the word could be obtained on both sides of the Atlantic. The true meaning of billion is, of course, a million million, but in the United States it is used for a thousand million. It is unlikely that confusion would ever arise in practice. It is becoming the custom in England (for example, in *The Economist*) to use billion in the American sense in American statistics, and for the rest to avoid the word. Only in the German inflation did the true billion become a financial reality and in default of a repetition, it may be left to the astronomers.

Last week-end a delegation from Oxford University conferred the honorary degree of DCL on Dr. Salazar, the Portuguese Prime Minister. A timely lesson might have been drawn by General Franco from the Public Orator's address, in which he praised earlier Portuguese statesmen, who "had set before the world a pattern of peaceful culture," and Dr. Salazar himself, who "was to-day pointing out to other nations the only way by which the true and enduring happiness of a State could be achieved."

The approximate number of casualties up to the beginning of April is 29,856 civilians killed and 40,789 injured and detained in hospital; and 37,607 members of the Armed Forces killed or missing and 25,895 wounded. Of the civilians killed, 13,712 were men, 12,112 women, 3,644 children under 16, and 388 unclassified.

THE WORLD OVERSEAS

Holland Fights the New Order

(By a Dutch Correspondent)

April 15th

SINCE last February, tension in Holland has risen. That month was characterised by serious strikes and riots. Between February 9th and 12th there was street fighting in Amsterdam, and when it was announced that a trial would be held in The Hague against the members of a secret sabotage organisation a wave of unrest swept the country. Towards the end of February, riots broke out in Amsterdam, and on February 25th and 26th street fighting occurred as a result, the Germans said, "of the action of paid British agents, mainly Jews." Martial law was declared throughout North Holland, and heavy fines were imposed.

As a result of the serious disturbances, Dutch Nazis were appointed Commissioners of the provinces of Utrecht, Limburg and North Holland, martial law being raised on March 5th. Employers were forbidden to pay wages for hours of labour lost in strikes—apparently they were willing to do so. At the beginning of March, a decree was issued declaring all Dutchmen liable to labour service. This service is now confined to the "occupied territory," but it is generally expected that it will be extended to Germany, where more than 110,000 Dutchmen are already forced to work.

Not only labour but all other Dutch resources are slowly but surely being transferred to Germany. In an

address given on February 8th at Amsterdam Dr Fisch-boeck, Commissioner-General for Economy and Finance, boasted that Dutch imports from and exports to Germany now nearly equalled each other and had reached an amount equal to £5 millions monthly. It should be remembered, however, that Dutch exports to Germany consist largely of food, which substantially benefits the German people, while German exports to Holland mainly consist of military supplies for the German army and raw materials for the Dutch engineering and metal industries.

Various decrees have been issued to facilitate the "scientific looting" practised by the Germans. All gold in private possession has been handed in to the *Nederlandsche Bank*—between July and October, 1940, the amount given up was the equivalent of about £3 millions. It has almost certainly been transferred to Germany, together with £8 millions of gold forming part of the large reserves of the *Nederlandsche Bank*, most of which are safely deposited in the United States. What has happened to the gold forebodes little good for the owners of foreign stocks and shares.

All Dutch investments in Germany will shortly be converted on a 4 per cent basis. That is to say, German industries, etc., are authorised to convert their loans placed in Holland. The *Ruhrverband*, to give an

example, has already declared that it has decided to convert its 6 per cent and 7 per cent loans of 1927 and 1931. Those who were unwilling to accept the new obligations were able to get their money back, but this money would either be paid in so-called *Inlandmarken*, which have only half the official value, or deposited with the *Verrechnungskasse*, the deposits of which are liable to a 70 per cent tax when transferred to Holland.

Nazi Financial Penetration

On April 1st the new president of the *Nederlandsche Bank*, the Dutch Nazi, Rost van Tonningen, announced that the clearing between Germany and Holland had come to an end. All "financial barriers" between the two countries had been raised. Rost van Tonningen did not announce what would happen to the huge debts which Germany had accumulated on the clearing with Holland. The rate of exchange which is now "normal" is, of course, highly advantageous to Germany: 100 Rm. equal Fl. 75.36. The raising of the financial barrier makes it much easier for Germany to buy Dutch industrial shares. Some months ago it was announced that £1,300,000 of shares of the *Algemeene Kunstzijde Unie*, the large Dutch rayon concern, had been bought by a German group. Since then the *Vereinigde Stahlwerke* have bought two millions pounds of shares in the *Koninklijke Nederlandsche Hoogovens*, a Dutch heavy industry situated in Ymuiden. These shares were in the possession of the City of Amsterdam.

In the end this process must give the German *Herrenvolk* complete control of the key-points of Dutch industry and trade. That the Dutch themselves realise this is indicated by the fact that the spectacular rise in quotations on the Amsterdam Stock Exchange during the last months of 1940 has been followed by an equally spectacular drop in the first months of 1941. The average drop in all quotations was 39 per cent between January 1st and March 1st. Oil, sugar, tobacco and tea suffered the heaviest losses, which, apparently, partly originated in the tension in the Far East. There are other factors, however, which determine the black outlook for the general investor. The profit tax will, it is expected, be raised from 30 to 45 per cent. *Het Volk*, the Labour daily, which was taken over by the Dutch Nazis, insists on a limitation of all dividends to 6 per cent. The bond market is decidedly pessimistic.

More Scarcities

The decline in the standard of living continues. Prices are slowly rising, and supplies for the home market are getting more and more scarce. Reconstruction work is still severely hampered by the lack of building materials. Far more trees are cut down than is justified, because there are hardly any imports of timber. It is announced that genuine coffee will no longer be available from the end of April. The rationing of textile products presents every Dutchman with the difficult problem of how to divide a fixed number of points which is clearly insufficient. Between February 1st and September 1st this year he may spend 100 points. A suit is valued at 80 points, a raincoat 65 points, a pair of trousers 28 points and a shirt 24 points. Sheets, blankets, overcoats and women's coats are only available after a special request has been granted. There is an extensive black market for textile points, and hundreds of shops have been closed because of "fraud."

There are no signs of starvation, but the diet is rather monotonous. The standard of health is declining, and many people died in the severe influenza epidemic which swept Holland in the first two months of this year, when some people had not sufficient coal to heat one room, even in the bitter cold.

The position of the Dutch Jews is getting more difficult and desperate. On March 14th a decree was issued,

officially called "decree for the elimination of the Jews from economic life." Jews are forbidden to set up new businesses without authorisation. The Reich Commissioner may appoint "commissioners" to any Jewish firm and has the right to order Jewish businesses to go into liquidation. Nazi burgomasters have forbidden the Jews to visit some popular seaside resorts. In Hilversum they are forbidden to make use of the public baths. Jews have been struck off the lists of blood donors for Gentiles. It is clear that the Germans' intention is to enforce the Nuremberg laws upon the Dutch Jews, who, as private and public information prove, are regarded by the Dutch as the symbol of German tyranny, and for that reason are actively supported by the whole people with the exception of the Nazis. In many a church special prayers are regularly said for the Chosen People.

The struggle against the Dutch Nazis is getting more and more bitter. The Dutch Quisling, Ir. Mussert, has recently paid many visits to Germany, but the Germans do not seem to have made up their mind whether to hand over all nominal power to the NSB now or to defer this to a later date. It must have been an unpleasant surprise to Ir. Mussert that the *Nationaal Front*, or *Firestone Movement*, of Arnold Meyer, a Catholic Fascist, and a bitter enemy of the Dutch Nazis, was granted permission to hold public meetings some time ago. The *Nederlandsche Unie*, however, is still being boycotted by the Germans, and the leading Triumvirate, who are still courageously criticising the Dutch Nazis, is faced with the dilemma of whether to declare in favour of the New Order and to lose most of the *Unie's* 700,000 members, or to declare against the New Order and to risk the disbanding of the movement. As many of the *Unie's* members are Catholic, it is of interest to note that the relations between the Dutch Catholics and the Nazis are worse than ever. In the beginning of February the Dutch bishops issued a Pastoral Letter in which they declared that the sacraments should be withheld from Dutch Nazis.

It is therefore not difficult to guess the mood of the Dutch, now that the first anniversary of the occupation is approaching. They hate the Germans more bitterly than ever. The number of those who listen to the broadcasts from London is so big that the Germans some time ago threatened the Dutch with confiscation of all radio sets. German-sponsored institutions, like the Winter Relief and the Labour Service, are boycotted by all patriots. Ir. Mussert declared some time ago that his movement included 1 per cent of all Dutchmen. It is safe to assume that the other 99 per cent are only waiting for the opportune moment to throw off the German yoke.

The Future of Eire's Economy

[FROM OUR DUBLIN CORRESPONDENT]

April 9th

THE war has succeeded in laying bare the anatomical structure of the Irish economic system. In future there will be no excuse for the delusions that have obscured economic issues in popular political controversies since the Treaty. The facts of the last eighteen months have demonstrated clearly the degree to which the standard of living and the industrial programme depend upon the maintenance of a large flow of imports. The sudden diminution in the supply of wheat, petrol, coal, tea and many industrial raw materials has caused widespread inconvenience, which is capable of being only partially remedied by home production of substitutes. Eire is at present experiencing the reality of self-sufficiency which has been held out as the ideal by many politicians, and it is generally agreed that the advantages of that condition are not unmixed. Doubtless the increased home production induced by the necessities of the war will not completely disappear when peace is restored, but the dependence upon imports of articles for domestic consumption and of raw materials will not have been abolished. At most, the margin will be shifted away from imports and towards domestic production.

The second fundamental fact of the Irish economic system, not perhaps equally appreciated by the general public, is that imports must be paid for by exports, visible or invisible. The very large reserves of sterling

assets owned by the banks and by the public have enabled an excess of imports to continue for twenty years. If, as is of course exceedingly unlikely, the value of these external assets should suddenly suffer a material reduction, the capacity to import would be *pro tanto* diminished. Owing to the extreme difficulties caused by the war and the blockade, Irish capital assets held abroad have temporarily lost some of their capacity to command imports, and, owing to the British exchange regulations, they are not so freely convertible into foreign currencies as in peacetime. The disposition on the part of persons in responsible positions to belittle the value of those external reserves because of their temporary reduction of liquidity is unfortunate, as it tends to mislead the public regarding their real significance. Certainly, if they permanently disappeared, the Irish economic system would need to be fundamentally adjusted.

The truth of the foregoing argument has been corroborated by the distinguished statistician, Dr R. C. Geary, in a paper read before the Statistical Society of Ireland on the probable future population of Eire. Taking a number of alternative assumptions regarding future trends in fertility, mortality and migration, Dr Geary reaches certain conclusions about the size, age and sex distribution of the population during the next hundred years. Analysing the shift in occupations from primary to secondary industry between 1926 and 1936, he concludes that the first part of the programme of industrialisation has been completed, and that the further stages of the programme depend upon the development of the purchasing power of the agricultural section of the population. This, in turn, depends upon increasing agricultural exports, which necessitates the increase of the efficiency of agricultural production. Thus, he argues, the facts that the population will increase slowly, if at all, and that the proportion of young people will tend to decline are no justification for planning to spend less on the educational services in the future. On the contrary, they are clamant reasons for spending more "on teachers and on the teachers of teachers," since the efficiency of the workers in the export trades will determine the capacity of the country to import and the level and variety of the standard of living.

★

The following figures demonstrate the effects of the war on the public finances:—

Year ended	Revenue	Expenditure
March 31st		
1939	£31,883,864	£33,110,247
1940	32,388,747	34,395,023
1941	34,637,659	37,772,081

The deficit for the last financial year was caused by expenditure on the Army, which increased from £2,973,246 to £6,682,231. The revenue showed considerable elasticity in spite of the abnormal conditions. Customs rose by £1,109,000, income tax by £1,357,000 and estate duty by £288,000. The only borrowing that took place, apart from savings certificates, was a ways and means advance of £500,000, but the fact that the balance in the Exchequer on March 31st had sunk to £728,320 suggests that further borrowing may soon be necessary.

Australian Taxation and War Expenditure

[FROM OUR SYDNEY CORRESPONDENT]

March 1st

AUSTRALIA's war expenditure for the six months ended December 31, 1940, was £A64,798,000, of which £A9,852,000 was provided from revenue and the balance from loan moneys. In the revised December estimate, total war expenditure for the financial year July, 1940-June, 1941, was £A186,500,000. In the readjustments consequent on the amendments introduced by Labour during the Budget debate, the proportion of the total to be provided from revenue was reduced from £A65 millions to approximately £A62 millions. Thus, during

the first six months of the financial year, war expenditure was just over one-third of the total for the twelve months; expenditure out of taxation was less than one-sixth of the estimated contribution for the full year, while expenditure from loans was not far short of half the full twelve months' total.

The disproportionate share borne by loan moneys can be explained by special considerations in addition to the usual reason that income tax is paid mainly in the second half of the financial year. Many of the tax increases were imposed, not at the beginning of the financial year, but in December, when the year was already nearly half over. Therefore the greater proportion of indirect taxes, as well as of direct taxes, will be received in the final six months of the period. Further, the acceleration of war expenditure will continue in 1941, and mounting revenue will be available to meet the rising war bill.

It might have been expected that expenditure in anticipation of revenue on the scale of the past few months would be financed by issuing Treasury bills. By using loan funds the Government has avoided the expansion of credit which Treasury bills would involve. The methods of finance adopted, however, have permitted some credit expansion. The Central Bank, as underwriter of Commonwealth loans, takes up any portion of a loan which is not subscribed by the public and the trading banks. It was announced that the Central Bank had taken a small proportion of the last loan of £A25 millions issued in December.

The need to reduce civilian consumption and increase revenue from taxation has focused attention on the different levels of State income tax in various States. The Commonwealth Government's powers of taxation are severely hampered by the fact that it must limit its levy in all States to that level which can be borne by the State with the highest State taxation. The weakness and inequity of such a system is strikingly apparent in time of war, when the Commonwealth is financially responsible for defence expenditure.



Wanted now!

For urgent
Government work
Modern Accounting
Machines

Adding & Listing Machines

Calculating Machines

These machines are required for use mainly in Aircraft and Armament Factories for the production - of Payroll Records, Stores Accounts, Purchase Ledgers and Cost Records. Machines should be in good mechanical condition and offers showing make and model and whether available for Sale, Hire or Loan should be addressed to:

H.M. STATIONERY OFFICE,
SUPPLIES DIVISION (S.3.),
PRINCES ST., LONDON, S.W.1

The OCEAN

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

FOR ALL CLASSES OF INSURANCE

THE BUSINESS WORLD

The Need for More Coal

SINCE coal is the basic raw material of Great Britain—it is the principal source of heat, light, power and of many indispensable chemicals—an adequate supply of it is essential in time of war. Moreover, in contrast to most other raw materials, coal is a domestic product and is available in abundance below ground. A shortage of coal, which does not have to run the hazards of ocean transport, would therefore seem to be difficult to explain. Yet, while the shortage has not been as acute in the past winter as in 1939-40—partly because the weather has been much less severe—it has been serious enough to cause a good deal of inconvenience, especially to private consumers. If this state of affairs is not to be allowed to continue, steps must be taken now to meet the prospective demand during next winter. The problem to be solved is twofold: first, output must be speeded up to meet current needs and to enable the accumulation of stocks; and, secondly, transport facilities must be provided to move the coal from pithead to centres of consumption in adequate quantities. The two aspects of the coal problem are closely linked, for an expansion in output without a corresponding speed-up in distribution would be of little avail.

In view of the severe reduction in exports consequent upon the extension of Nazi rule on the Continent—the coal-mining industry's principal overseas market—the existence of a production problem seems at first sight surprising. In 1937, when production reached 240 million tons, no less than 56.3 million tons were shipped abroad, inclusive of the 11.7 million tons shipped for the use of steamers engaged in foreign trade. Even in 1938, when demand showed a decline, shipments absorbed 49.6 million tons of the output of 227 millions. While neither production nor export figures are available for 1940, the value of exports (excluding bunkers) fell from £10.6 millions in the last quarter of 1939 to £2.7 millions in October-December, 1940, a reduction of 75 per cent. Indeed, it is doubtful whether the current and prospective volume of shipments exceeds an annual rate of 20 million tons. Home consumption, true, is expanding, and prospective needs are probably in excess of the 1937 level of some 182 million tons. But as the increase in home demand is unlikely to equal the fall in exports, the total demand must be below the industry's pre-war productive capacity, though it is probably still in excess of 200 million tons a year.

Unfortunately, the capacity of the coal-mining industry was allowed to decline after the collapse of France below the limits dictated by prudence. It has lost a substantial part of its labour force—the reduction during the past twelve months has been estimated at about 10 per cent—to the fighting services and other industries. The rate of output per head is reported to have declined since the outbreak of war. Many pits, especially in the export districts, have been closed down for lack of orders or labour or both (though this movement has been stemmed by a scheme, introduced on January 1, 1941, and financed by a levy of 9d. per ton sold, whereby colliery owners receive compensation for loss of trade, provided they maintain their pits in working condition). In general, production has fallen to a level which is inadequate in relation to prospective needs.

The Government has at last realised the danger to the war effort of an inadequate supply of coal, and it is now making a determined effort to reverse the trend of production and to accumulate adequate stocks as an insurance against an emergency and in order to prevent a shortage next winter. It is reported that the authorities are aiming at a weekly output of about 4½ million tons, which corresponds to an annual rate of some 230 million tons. While this would involve an appreciable

increase, given a measure of goodwill there is no reason why the target should not be reached.

The pits that are still in working condition are understood to be adequate for the desired increase in the rate of output. It will be necessary, however, to concentrate production as much as possible on the collieries that are geographically most favourably placed. Moreover, some consumers will have to adapt themselves to the use of coal somewhat different in quality from that to which they have been accustomed. The Government, moreover, must assist the industry in securing an adequate supply of pit props, machinery, stores and other colliery equipment.

Labour probably presents the biggest problem in the effort to speed up production. By applying to coal-mining the Essential Works Order—to which the Mineworkers' Federation has now reluctantly agreed—the exodus of miners from the industry has been arrested, for it forbids employers from dismissing miners and miners from leaving their employment without the consent of the Ministry of Labour. Steps must also be taken to strengthen the industry's labour force by the recruitment of youths—this should be facilitated by the limitation of entry into consumption goods trades—and, if necessary, by the recall of miners who have taken up other occupations, and by the release of a number of those who have joined the fighting services. (The recall of miners from other industries will be made easier by the registration of men over military age which has already begun.) In view of the need for concentrating production upon the collieries that are geographically in the most advantageous position it may also be necessary to redistribute the industry's labour force.

But the manning of the collieries, which is the task of the Ministry of Labour, is not enough. In fact, the success of the production drive depends in a large measure upon the active collaboration of the miners. The greater the output per head, the less will be the industry's drain on the country's man power; and large-scale substitution of female labour is, of course, impracticable. No figures of output per man-shift have been published since the outbreak of war, but it appears that it has tended to decline—through absenteeism, for example. This tendency must be arrested, and it can only be arrested by the goodwill of the miners. The country cannot afford a repetition of the experience of twenty-five years ago, when the output per man-shift fell from 20.3 cwt. in June, 1914, to 14.1 cwt. in the last quarter of 1920. This fall can only in part be ascribed to the reduction in maximum hours below ground by one-eighth, from 8 to 7, on July 16, 1919. Absenteeism must be reduced to the minimum, and, if necessary, hours of work must be increased to the maximum compatible with the maintenance of the health and efficiency of the miners. Provided the miners are alive to the urgent need for more coal and willing to make an effort commensurate to the emergency, the labour problem is not impossible of solution. And since wages in the coal-mining industry are now linked to the Ministry of Labour's cost-of-living index—in a debate in the House of Commons on February 19th Mr David Grenfell, the Secretary for Mines, gave the average increase in wages since the outbreak of war as 25 per cent—miners have little cause for complaint. A minimum weekly wage would give them added security, and, provided they are willing to collaborate in the effort to increase production, its introduction need not bring a reduction in output per head.

The effort of the coal-mining industry to raise production must be accompanied by a corresponding improvement in transport. Indeed, it is well known that

the scarcity of coal in certain districts has been due in a large measure to this cause. The task of speeding the movement of coal to the centres of consumption, however, is only one aspect of the wider problem of transport. Hitherto Great Britain has not made the best use of her transport system, which is capacious as well as flexible. And the problem cannot be solved unless the various facilities are treated as so much interchangeable carrying capacity and are rationed in accordance with a schedule of priorities. There are indications of improvement—by the formation of a War Transport Council, for example. But Great Britain still lacks the Transport Executive that alone can operate the various carrying facilities as efficiently as possible in the national interest. Steps must also be taken to secure a more equitable distribution of coal among consumers. As the Select Committee on National Expenditure pointed out in its eighth report of the 1940-41 session, closer collaboration between coal merchants, by the pooling of orders and stocks, local labour and transport, for example, would facilitate the distribution of fuel. Again, a reduction in

the number of grades of fuel—on April 21st the Mines Department announced that only six grades are to be available in future—should simplify the process of distribution.

Further, if the upward trend of costs and prices is to be arrested, the price of coal, which has risen by 33 per cent between August, 1939, and March, 1941, is one of the most important that must be stabilised, for it enters the cost of production of every industry in the country. Sir Kingsley Wood has already announced the Government's intention to stabilise the cost of living, in the hope that this would relieve the pressure for higher wages. If the Government really means to introduce a national wages policy, coal-mining would be among the first industries to benefit, for wages form some two-thirds of its cost of production.

In sum, it is well within the industry's capacity to supply the country's need for coal. But the task of increasing production and of shifting the larger output from pithead to centres of consumption must be tackled boldly and without delay.

Profits and Producers

RECENT articles in *The Economist* quarterly series on industrial profits have suggested that the measure of control over company earnings has now become fully effective. Reported trading profits, generally speaking, have risen during the past twelve months—which is not surprising. But a high level of output has also coincided with a falling tendency in both equity earnings and dividends. These trends continue to be evident in the company reports published during the first quarter of this year. No evidence is available of the trend of profits of the legion of small businesses. But at least the large public concerns, whose contribution to war production is far greater, now have to be content with a diminishing reward.

During the March quarter, the reports of 439 industrial companies were received. The trading profits of these concerns (so far as they could be ascertained from the reports) amounted to £98,954,489, against £94,300,714 in the previous accounting year, which, on the average, would have fallen, very roughly, to mid-December, 1939. The gross return to industry has increased by 5 per cent, on this evidence, but, in truth, the growth in trading profits was certainly higher, for allowance must be made for increased taxation already deducted from the profits of certain companies. As in earlier reviews of industrial profits, however, the latest figures show a clear distinction between higher trading returns and increased net earnings.

The following table summarises the profits experience of companies whose reports appeared during the past quarter. It includes also an estimate of adjusted net profits before taxation, from which the accurate measurement of equity earnings and dividends in Table II is derived:—

TABLE I.—PROFITS OF FIRST QUARTER COMPANIES—1941

	Previous Financial Year	Latest Financial Year	Adjusted Net Figures before Taxation
Total Profits*	£94,300,714	£98,954,489	—
Depreciation	6,208,118	—	—
Debit interest	38,618,707	37,137,497	—
Other charges†	—	—	—
Net Profit	£55,682,007	£56,628,042	£70,936,000
Preference dividends	—	9,776,374	12,592,000
Ordinary dividends	—	34,386,485	51,859,000
Added to free reserves	—	6,465,183	6,485,000

* After depreciation where not separately stated. † Incl. taxation.

It will be seen that the increased total profits are accompanied by a fall in net profits from £55,682,007 to £50,628,042, equivalent to a setback of approximately 9 per cent. The adjusted equivalent net profits figure before deducting normal income tax (but after EPT) is slightly below £71 millions. Some measure of the increased inroads in net distributable profits, which are now made by normal income tax, is shown by the relation between reported net profits and adjusted net profits, before tax, for the groups of companies reporting in each of the past five quarters. In the first quarter of 1940, published net profits were raised by 25 per cent

on conversion to a "before tax" basis. The percentage varied between 21 per cent and 29 per cent for the other three quarters of 1940. For the first quarter of 1941, however, the tax proportion is no less than 40 per cent. Such calculations tell us little about the movement of profits, but they clearly show how the Exchequer now holds that perfect security, unknown to the ordinary investor—a prior charge-cum-equity. EPT is the prior charge; standard income tax is the equity component. In combination, they are absorbing wartime increases in profits plus an appreciable slice of standard profits.

This conclusion is reinforced by the latest figures of *The Economist's* profits index, which was described and calculated up to the end of 1940 in the issue of March 1st. Compared with a figure of 114.2 for the fourth quarter of 1940 (July, 1935-June, 1936 = 100), the index has declined further to 112.3 for the first quarter of 1941. Compared with the high pre-war levels of the index (it reached 131.7 in the second quarter of 1938), which reflect the EPT standards of the majority of the companies included in the index, the present level is indicative of the measure of control upon industrial earnings. An Investment Note on page 281, of the issue of March 1st, made it clear that the index is not statistically perfect (though, unfortunately, it gratuitously complicated its intricacies by a nonsense-making misprint). But, in conjunction with other evidence, it throws considerable light on the steady reduction of distributable profits in wartime.

TABLE II.—DISTRIBUTION OF PROFITS AND RETURN ON CAPITAL

	Proportion of Adjusted Net Profits (%)			Rates of Payment (Gross)			
	Prof. Div.	Ord. Div.	To free Reserves	Deb.	Prof.	Earned Ord.	Paid Ord.
1941							
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	20.4	65.0	14.7	4.9	6.9	12.2	9.6
4th Quarter	23.6	61.4	15.0	4.8	5.8	12.1	9.8
Whole Year	21.6	65.1	13.4	4.6	6.1	13.2	10.9
1940							
1st Quarter	17.7	73.1	9.2	4.0	4.7	11.4	9.6

In a second table, these consequences are measured in terms of the distribution of profits between different classes of capital and their ratio of return. A marked feature of the latest quarter's figures is the sharp fall in the proportion of profits set aside to free reserves. During the greater part of 1940, this proportion kept fairly steady about 15 per cent. In the latest quarter, it has fallen to 9.2 per cent, while the proportion of profits paid out in ordinary dividends has jumped to 73.1 per cent. In order to pay their ordinary dividends, in short, companies are following a less conservative policy regarding free reserves, and, in future, they may be expected to reduce their conservatism still further, counting instead upon the return of part of their EPT payments

for capital reconstruction purposes after the war. Ordinary dividends and earnings nevertheless continue to show a perceptible decline. In the latest quarter, ordinary earnings (calculated on adjusted figures, before any deduction for income tax) were 11.4 per cent, compared with 15.1 per cent for the similar, but not entirely comparable, batch of first quarter companies which reported a year earlier. The average dividend rate

showed a comparable fall from 13.1 per cent to 9.6 per cent.

There are, doubtless, individual exceptions to this general trend, though study of the profits of twenty-five industrial groups on page 576 will not reveal any outstanding case in which net profits have increased. But the global figures show how effectively—and how quickly—the Exchequer has obtained the whip hand.

Finance and Banking

Bigger Bill Tender

The market made its tender for £75,000,000 of Treasury bills last Friday and succeeded in holding its allotment at 30 per cent of the quota applied for. Total applications rose by almost exactly £5,000,000, accounted for by the larger syndicate quota, which continues to cover whatever may be the figure of Treasury bills on offer. With more bills to take up, the market has been a good seller to the banks this week. The banks for their part have in certain cases been engaged in their monthly making-up, and at no time has there been a surfeit of credit in the market. The amount available has, however, always been adequate. One of the factors in the credit position is the exceptional sluggishness in the return of notes from Easter holiday circulation. The latest Bank return shows a further small net increase of the circulation, raising it by £247,000 to the new high record of £622,450,000. The unissued notes in reserve have been correspondingly reduced, while the reserve ratio remains at the exceptionally low level of 5 per cent.

* * *

Free Sterling in New York

The free sterling rate in New York has during the past ten days shown the first signs of fluctuations since the autumn of 1940. It was towards the end of August, 1940, that the rate ended the steep recovery which set in after the tightening of the exchange regulations in July, 1940. These measures promised the ultimate abolition of the free sterling market in the United States, and the "free" rate then settled down at around 4.03½, which showed a slight premium on the official middle rate. Last week the rate suddenly weakened to 4.00½, but has since made as rapid a recovery to around 4.02. Movements of this magnitude and in so small a market as that for free sterling in New York would in normal times have aroused no particular interest. But their coincidence with the receipt of unfavourable war news has inevitably imparted to them an apparent significance which the facts do not warrant. The persistence of a premium of free over official sterling was itself a thoroughly artificial phenomenon. It was largely a relic of the existence in July, 1940, of a considerable bear position in sterling against dollars. As the new exchange arrangements between this country and the United States precluded the creation of free sterling, except on the conscious initiative of the British authorities, the bears were caught, and their attempts to cover in so rigidly limited a market naturally caused the rate to bound as it did.

*

It should, however, be realised that the supply of free sterling has not been rigidly restricted to the U.S. holdings existing in July, 1940, when the registered account machinery came into operation. In the first place, the British authorities have no doubt been prepared to furnish sterling in the free market to balance the situation brought about by the existence of a substantial speculative bear position in sterling. Had it not been for such official intervention in the market, we

may rest assured that the free sterling rate would have been forced to a higher premium on the official rate than was in fact reached. In the second place, the British authorities have, in the course of their grants of permits for transfers of certain capital sums abroad, been prepared to create additional supplies of free sterling. It has been found, for example, that refugees, who after passing through this country have migrated to the United States, have in certain cases been allowed to convert their sterling holdings into dollars, provided they did so through the free market. At the recently prevailing rates this has involved no hardship whatsoever to the persons concerned. But it follows that any appreciable application of this policy must make for a somewhat more elastic free market than has obtained for the past seven months. All things considered, it is not the recent minor fluctuations in the free sterling rate that must be regarded as abnormal; rather is it the complete rigidity of the rate at a slight premium over the official rate, which has endured so long.

* * *

London Credits and Non-Sterling Trade

The continuous search for possible flaws in the control of sterling exchange has, this week, led to additional instructions to London banks regarding credits granted by them to finance trade between Argentina and Brazil, on the one hand, and the United States, on the other. Though the application of exchange control in this country has destroyed most of the business by which trade, which never touched this country, was nevertheless financed through a London bank, some relic of these once important operations remains. Bank of England authorisation for such operations has in most cases been readily forthcoming, even though it meant that, for a time at least, the London bank in question would be out of dollars—having to disburse dollars under the terms of the credit before being reimbursed by the foreign importer. On certain occasions in the recent past such arrangements have encountered difficulties from the Argentine and Brazilian exchange controls. It has been found that the importers in those countries have been unable to obtain U.S. dollars from their respective authorities wherewith to reimburse the credit givers in London and have been compelled to repay them in sterling through the Special Account machinery. In order to avoid such unfortunate accidents, London banks have now been instructed to desist from all such credit operations unless they can provide evidence of exchange permits from the Argentine or Brazilian authorities guaranteeing that the U.S. dollars will duly be forthcoming when the goods covered by the credit have arrived at their destination. It is, incidentally, reassuring to have this reminder that London still retains this foothold, however small, in this particular type of business. Its value will be better appreciated after the war, when international banking will be called upon to play its part in setting the wheels of world trade in motion again.

* * *

Exchange Account's Gold Operations

A clearer picture of the gold operations of the Exchange Equalisation Account emerges from the Treasury's "Analysis of the Sources of War Finance" when read in conjunction with the data on United Kingdom gold and dollar operations recently published in the United States. The juxtaposition of the two sets of data is unfortunately marred by the fact that the Treasury White Paper brings the figures up to February 28, 1941, while the official figures published in the United States only go up to the end of 1940. The Exchange Equalisation Account held on the outbreak of the war gold to

the amount of £509,500,000. Up to February it had, according to the White Paper, sold £388,000,000 of this reserve, leaving a balance of £121,500,000. Not all of this is immediately available. At the end of 1940 about £5,000,000 had to be reserved against forward exchange contracts, while another £7,500,000 was dispersed in different parts of the world. The task of centralising the unavailable gold has, however, been proceeding fast, as may be seen from last week's Washington news that \$132,000,000 of gold had reached the United States from South Africa. The balance of gold left in the E.E.A. at the end of February represented between three and four months' supply at the rate at which the reserves were being drained in the preceding six months. Allowing for this rate of exhaustion, the sales of pre-war E.E.A. gold at the end of 1940 must have amounted to about £320,000,000, which at that time would have left a balance of £189,500,000, some £176,000,000 of this being available. The data published in the United States, however, put an even more urgent complexion on the position. They show sales of gold from the pre-war stocks of the E.E.A. up to the end of 1940 at £436,000,000, leaving a balance of £73,000,000, of which only £60,000,000 was at the time available. The discrepancy suggests that the figures published in the United States regarded as actually expended items which would not be so treated under the strict cash accountability of the British Budget.

* * *

Chinese Exchange Weakness

The Chinese dollar has lost further ground in the foreign exchange market this week, receding to a middle rate of 3½d. The fall has been equal in terms of U.S. dollars, for it should be noted that the sterling-U.S. dollar cross rate in Shanghai has remained around 3.90 despite recent political developments that might have militated against sterling in that market. The weakness of the Chungking Government's currency is in part a reflection of the disquiet aroused in Chinese circles by the Russo-Japanese Pact. It must also be attributed to the intensification of the struggle in China and to the fact that the currency war, as conducted by the terrorists under Japanese control, has now compelled the Chungking banks to close their Shanghai offices. This development must deprive the Chinese dollar of part of the machinery of control which has hitherto been used in its support. On the other hand, it was announced by the Secretary of the U.S. Treasury this week that an agreement is about to be signed allocating a further \$50 millions from the United States Stabilisation Fund for stabilising Chinese currency. With this reinforcement of the exchange reserves backing the Chinese currency, uncontrolled depreciation in the near future need not be expected. As for the mechanism of control, it may be assumed that American and British banks in Shanghai will readily take over such official activities as were pre-

viously centred in the Chinese Government banks which are no longer functioning.

* * *

New Zealand Sterling Funds

The rate of growth of New Zealand's sterling funds since the outbreak of the war has been as great as that of any other member of the sterling area. Mr. Fraser, the New Zealand Prime Minister, speaking last week at the annual conference of the Dominion Labour Party, said that the London funds had risen by nearly £NZ20,000,000 since the beginning of 1939. At that time they stood at about £NZ7,500,000. By normal standards the present reserve of London funds of the Dominion would appear to provide a reassuring margin of safety. Under present conditions, however, there can be no question of allowing this improvement in the reserve position to lead to any relaxation of the scheme of exchange control which the Dominion had applied well before sterling itself became a controlled currency. The need for cohesion in the operation of the control of exchanges throughout the sterling area remains a paramount consideration. In any case, the need for vigilant conservation of New Zealand's exchange reserves is likely to become more apparent in the coming months. The improvement in the position has been the product of two sets of influences: the rigid import restrictions put into operation when exchange control was introduced in the Dominion, and the rise in export income due to higher prices and larger shipments of foodstuffs and raw materials to Britain. But the consequent improvement in the sterling reserve position was achieved during a period when shipping difficulties were far less serious than they are to-day. The Dominion's export income is likely to be cut seriously this year, and though restriction of imports will operate with even greater rigour than before, the need for a reserve such as New Zealand has been able to accumulate is likely to become increasingly evident as the war proceeds.

* * *

Bristol Bill Tender

Tenders were opened this week for an issue of £500,000 Bristol Corporation bills, dated April 28th, and having six months' currency. The results of the issue revealed the abundance of credit available for short-term investment and the consequent pressure on the discount rate. The applications amounted to £3,000,000, and the £500,000 were allotted at an average rate of £1 0s. 5.32d. per cent, or only 2½d. per cent higher than the latest rate at which three months' Treasury bills were allotted. The successful tenders were those put in at £99 9s. 9d., at which applicants received 29.4 per cent of the amount tendered for.

Investment

Business at Minimum

The underlying factor in the stock market continues to be the struggle between the news from the various fronts, military and diplomatic, which has been predominantly adverse, and the growing volume of reinvestment demand, mostly prospective. Recovery in the Funds on Monday, and a tendency for it to spread through other fixed interest stocks, and even to equities on the following day, shows that the effects of developments in the field are likely to be at least as transitory as was anticipated. It is symptomatic that sellers are holding back as much as buyers and that, in consequence, turnover has fallen to an almost negligible figure. Price movements, in fact, represent the reaction of the jobber to fears of selling, which has not materialised. It would be optimistic to suppose that the worst of the war news has been received, but it is probable that the market, and the investor, will become accustomed to reverses. Meanwhile, the purely financial pressure continues to accumulate. The end of the month brings the LCC repayment, to which has to be added disbursements under the latest vesting order, due to start on June 6th. This, and, in a moderate degree, the Commonwealth offer and the municipal conversions will call

for readjustments of investment positions during the coming five months, while it is certain that further operations will not be long delayed. Doubtless, such demand as arises from these changes, and in the aggregate it must be considerable, will be felt chiefly in the gilt-edged market at first. There appears, however, to be no factor threatening to arrest the familiar process of adjustment to falling interest rates. Indeed, the Budget concessions, which have still to find their reflection in prices, should encourage a moderate and independent appreciation in equities. Against this has to be set the certainty that net distributable profits will decline with the rise in income tax, but it is not impossible that this will be offset by a rather more liberal distribution policy. This tendency is already in existence and, while its wisdom may be questioned, it is a factor to be considered. Doubtless owing to the extreme uncertainty of post-war developments and the present severe demands on private individuals, the choice between income in the immediate future and the building up of substantial reserves is swinging in favour of the former. If this change in preference persists, it will evidently offer considerable opportunities to those institutions and individuals who find it possible to sacrifice immediate to future satisfaction.

FAMOUS SINCE 1795



OTARD'S
COGNAC BRANDY

U.S. Stock Vesting

Last week-end brought yet another vesting order, covering more than 160 U.S. securities. Of these, rather under a quarter are gold bonds, including a number of the Erie, Missouri-Pacific and Southern railways, two issues of Belgium and three of Cuba. The remainder are preferred and common stocks, the latter category being rather more numerous. Although the number of individual securities involved is large, the total amount of dollars represented is probably considerably less than in recent call-ups. This is not surprising, for, with this order, substantially over 500 securities have now been taken over by the Treasury, and the number of popular stocks remaining, even before this call, was not great. Limitations of space forbid reproduction of the full list, as has been done on previous occasions, but rather over a score of the better known equities are given below, together with the prices to be paid for

Title of Security	Price per Sh.	Title of Security	Price per Sh.
Aluminum Co. of U.S.	32 8 11	Lorillard (P.) Company \$10	4 3 4
American Loco.	2 14 9	National Biscuit \$10.....	4 2 1
American Power and Light	0 5 8	National Power and Light	1 11 1
Babcock and Wilcox.....	6 6 10	Phelps Dodge \$25	6 10 7
Baltimore and Ohio \$100..	0 16 10	Shell Union Oil \$15.....	3 0 11
Briggs Manufacturing.....	4 13 11	Southern Railway	2 19 8
Cities Service \$10.....	1 2 5	Standard Brands.....	1 9 3
Columbia Gas and Electric	0 14 11	Standard Oil \$25.....	6 18 0
Firestone Tire and Rubber	3 17 1	Stone and Webster.....	1 0 3
Goodyear Tire and Rubber..	4 5 2	United States Pipe & F. \$20	6 11 10
Illinois Central \$100.....	1 13 7	Vanadium Corporation.....	5 16 3
International Paper \$15.....	3 4 1	Youngstown Sheet & Tube	7 12 11

† Ex Apr. Div. ‡ Cum May or June div.

them. As on the last occasion, payment for the securities will be made six weeks after receipt or, in this case, on June 3, whichever is later. The usual arrangements are made for payment, on request, in the Government tap issues, and, as in previous cases, holders should consult their banker or broker as to facilities for lodging securities. If, as seems virtually certain, the amount involved is relatively small, the effect upon the stock market must be correspondingly slight. At the present juncture, even the most modest increase in the volume of business will be very welcome, since the uncertainties of the military situation have prevented the revival in turnover, which promised to follow the opening of the Budget. The operation, and others which may well follow it, should serve to prepare the way for a good response to the municipal conversions, acceptances of which should be flowing in throughout May and June, and, in smaller volume, over the following quarter.

Commonwealth Loan Extension

A first instalment, announced at the end of last week, of the numerous Dominion conversion operations, which would seem to be impending, takes the form of an offer to extend for three years the Commonwealth 3 per cent stock and bonds falling due October 1st next. The amount outstanding is some £13,470,000, and the offer is to renew at the old nominal rate of interest, but with a cash payment of 10s. per cent, which makes the issue price 99½ and the yield, with profit on redemption, some £3 8s. 6d. per cent. The terms are not unattractive, and are likely to be acceptable both to institutions and to a fair proportion of private holders. The Commonwealth will, however, pay off any holders who do not accept conversion and, as was to be expected, no offer for cash is to be made. Australia has certainly a much larger accumulation of sterling balances than will be required to meet this payment, and it still leaves the field open for conversion of some of the large mass of optional maturities, mentioned on page 533 of last week's issue. Since this loan is being paid off at its final date, and since the nominal rate of interest is below that ruling on loans of the Dominion, the operation provides little evidence as to the means by which any further excess of sterling balances will be cancelled. The market, however, reads the offer as a preliminary to other operations.

BAT—Courtaulds Contrast

The shareholders, and indeed the board, of Courtaulds Ltd. can hardly fail to regard with envy their more fortunate fellows of the British American Tobacco

Company. The latter concern has a subsidiary in the U.S.A., the Brown and Williamson Tobacco Corporation, on which the British Government wished to raise dollars. Instead of an outright sale, the Corporation has been granted a loan of \$40 millions by the Reconstruction Finance Corporation, of which \$25 millions will be lent to the parent company, which thus raises dollars without losing control. The reason for the difference in treatment is only too clear. BAT buy American tobacco through this American subsidiary. It would be of no advantage to the U.S.A. to take it over. Indeed, if they did, it would tend to encourage the substitution of Empire, and in due course, Eastern tobacco for American. The new step is a further proof of the goodwill of the American administration, but it makes no contribution to the solution of the problem which faces most British concerns with direct interests in the U.S.A. Most of these are manufacturing concerns, as is the Viscose Corporation, or are engaged in competition with American interests, as are the British insurance companies and Lloyds syndicates. It is certainly to the interest of this country and, perhaps, in the long run, to that of America, that these assets should be pledged for repayment as soon after the war as may be. It is, however, evidently to the interest of American business interests that they should obtain possession of these undertakings outright. If this country wishes to retain power to repurchase, there must be some compensating advantage to the U.S. Government or nation, and it is to be hoped that the British authorities are bearing this possibility in mind. It is, however, necessary to face the fact that if the arguments in favour of the persistence of British interests in the U.S.A. are to triumph, it will involve the abandonment of all those ideas, conveniently summed up by the expression "economic nationalism."

Company Notes

Paint and Varnish Results

Both *Pinchin Johnson* and *Indestructible Paint* show reductions in dividends and profits for the calendar year 1940. *Pinchin Johnson*, with total earnings of £338,347 against £363,866, reduced the ordinary payment from 10 to 8½ per cent. The amount earned for ordinary capital fell from £265,509 to £170,147, although, grossed up at the higher rate of tax, the earned rate improved from 16.3 to 16.7 per cent. *Indestructible Paint* cut the total ordinary dividend from 25 to 20 per cent, and the preliminary statement shows a reduction in net profits from £56,925 to £40,045.

	Years ended December 31		
	1938	1939	1940
	£	£	£
Total profits	300,621	363,866	338,347
Taxation	104,000	120,000	133,500
Expenses*	18,531	8,319	8,000
Preference dividends	33,051	30,038	26,700
Ordinary shares—			
Earned	150,039	205,509	170,147
Paid	170,212	126,011	85,149
Earned %	11.0	16.3	16.7
Paid %	12½	10	8½
Investment depreciation and contingencies	...	53,486	54,897
Carry forward	94,870†	120,882	150,983

* Including loss of subsidiary of £9,782 in 1938, £4,069 in 1939, and £4,000 in 1940.

† Including £16,792 recovered from income tax.

The statement of the chairman, Mr. E. Robson, which is circulated with the *Pinchin Johnson* accounts, throws considerable light on balance-sheet movements. The rise in stock from £641,152 to the new record level of £867,394 is due, in part, to the necessity of maintaining higher stock reserves both at home and abroad to meet shipping difficulties, and in part to the rise in the price level. The increased holdings are responsible for a reduction in cash from £295,818 to £203,298. Contingencies reserve stands at £65,103 against £25,514, and the chairman states that the fund will be further increased until it can provide cover for all interests in enemy

occupied territory. It is satisfactory, however, that the company's assets in free territories are in themselves adequate to provide an offset for possible loss through enemy occupation. General reserve, as before, stands at £674,150, and the normal increases in debtors and creditors indicate that the company's business has continued to expand in the past year. Since both *Pinchin Johnson* and *Indestructible Paint* are now largely employed on Government contracts and export business, margins are likely to be small, but there is some reason to hope that revenue will be fairly well maintained in 1941. The 10s. ordinary shares of *Pinchin Johnson*, at 17s. ex dividend, offer a yield of £5 per cent. *Indestructible Paint* £1 ordinary shares, at £3 18s. 9d., yield £5 4s. per cent.

Canadian Pacific Costs

The full accounts of the Canadian Pacific Railway Company for last year serve to stress the fact that, even then, the war was producing important changes in the economic life of the Dominion. With a wheat crop even larger than that of 1939, and exports seriously curtailed, only 30 per cent of the crop of the Prairie Provinces had been moved at the end of the year, compared with 60 per cent for the preceding period. In consequence, earnings on grain dropped by 13.1 per cent, but, despite this, total earnings rose by almost the same percentage. There was no material change in the level of freight rates, except for twelve new agreed charges, and freight revenue per ton-mile was, at 0.84 cents, the lowest since 1918, while, thanks in part to military traffic at low rates, passenger revenue per passenger-mile fell to 1.97 cents, the lowest since 1916. The rise in gross earnings thus represents an even more marked expansion in work done, which was due to a variety of causes, including lack of shipping on the Pacific, increased demand for Canadian pulp and paper, and a general expansion in the demands of this country. Broadly speaking, there was an impressive increase in business from the East and from British Columbia, and a smaller falling off in that from the Prairie Provinces. This increase in traffic went

hand in hand with appreciable economies in operating charges, the expense ratio declining to 74.61 per cent, the lowest yet achieved with the exception of 1936. This fall was again due to economies in transportation expenses to a new low of 33.97 per cent of gross earnings. Both train loads and speed were improved, while there was a saving of rather over 2 per cent in freight train fuel consumption per gross ton-mile. There is every reason to suppose that the current year will see a further expansion in industrial freight, while the large amount of un-ion in industrial freight, a useful reserve against, carried grain will constitute a useful reserve against, either a bad crop, or the reopening of markets. The fall in expense ratio has been effected despite heavy charges for renewal of equipment, which serve to maintain full efficiency. In addition, there have been important deliveries of new rolling stock during the year, which should place the company in a strong position to meet any increased demands made upon it. Gross traffic, to date, show a rise of over 25 per cent, but the net amount available for dividends will depend as much on special appropriations as on the course of earnings.

Godfrey Phillips Report

The full accounts of Godfrey Phillips for 1940, disclosing profits, after tax, of £254,898 against £281,758, and a reduction in the rate earned for ordinary capital from 21.4 to 17.8 per cent, add little to the information contained in the preliminary statement. An ample margin of cover is still preserved for the ordinary dividend, maintained at 10 per cent, and the reduction in carry forward from £76,165 to £71,107 is very moderate. The £50,000, against £82,585, allocated to development and contingencies reserve brings the total reserve to £1,325,000. The gravest problem which the company has to face is undoubtedly the difficulty of obtaining leaf stock, and the balance-sheet total has, in fact, declined by £231,000 to £932,157, despite the fact that a substantial part of the physical stock carries two further rises in duty. On this point the chairman, Mr. A. I.

(Continued on page 563)

WEST RAND CONSOLIDATED MINES, LIMITED

(Incorporated in the Union of South Africa.)

£2,150,000

CAPITAL:

Registered and Issued

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

DIRECTORS.

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

EXTRACT OF ANNUAL REPORT TO 31st DECEMBER, 1940.

Tons crushed ..	2,781,000
Yield (3.683 dwts. per ton) ..	512,127 fine ozs.
Working revenue (30.95s. per ton) ..	£4,303,404
Working Costs (17.68s. per ton) ..	2,457,929
Working profit (13.27s. per ton) ..	£1,845,475
Sundry Revenue ..	108,937
Total Profit ..	£1,954,412
Credit Balance brought forward from 1939 ..	114,380
Total available Profit ..	£2,068,792
Appropriated as follows:—	
Capital Expenditure ..	£198,405
Miners' Pensions—Provision on account of outstanding Liability as at 31st July, 1940 ..	8,570
Income Tax (Government of the Union) ..	1,033,886
Sundry Taxes, etc. ..	871
Interest—On Fixed Loan from General Mining and Finance Corporation, Ltd. ..	30,000
Do. Castor Lubricants, Ltd.—Deposit at Call Account ..	400
Ordinary Dividends Nos. 18 and 19, totalling 25 per cent. ..	£531,250
Deferred Dividends Nos. 9 and 10, totalling £7 1s. 8d. per share ..	177,083
Unappropriated Profit carried forward ..	708,333
	90,827
	£2,068,792

Ore Reserve.—The fully developed ore reserve, as re-calculated at the 31st December, 1940, amounted to 10,800,000 tons of an average value of 4.3 dwts. over 45 inches. (1939: 10,447,000 tons at 4.4 dwts. over 44 inches.)

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

(ABRIDGED)

CANADIAN PACIFIC RAILWAY COMPANY

(Incorporated in Canada with Limited Liability)

SIXTIETH ANNUAL REPORT OF THE DIRECTORS OF THE CANADIAN PACIFIC RAILWAY COMPANY YEAR ENDED DECEMBER 31, 1940

To the Shareholders:—

The accounts of the Company for the year ended December 31, 1940, show the following results:—

INCOME ACCOUNT

Gross Earnings	\$	170,964,897.01
Working Expenses (including taxes)	\$	135,325,458.93
Net Earnings	\$	35,639,438.08
Other Income	\$	10,692,163.30
	\$	46,331,601.38
Fixed Charges	\$	25,380,715.44
Interest on bonds of Minneapolis, St. Paul & Sault Ste. Marie Railway Company, guaranteed as to interest by your Company	\$	805,830.00
	\$	26,186,545.44
Net Income	\$	20,145,055.94
Dividends on Preference Stock:		
2 per cent. paid October 1, 1940	\$	564,069.10
2 per cent. payable February 1, 1941	\$	564,069.10
	\$	5,042,781.70
Balance transferred to Profit and Loss Account	\$	15,102,274.24

PROFIT AND LOSS ACCOUNT

Profit and Loss Balance, December 31, 1939	\$	141,353,502.86
Balance of Income Account for the year ended December 31, 1940	\$	15,102,274.24
	\$	156,455,777.10

DEDUCT:		
Amount credited investment reserve owing to impairment in investment in Minneapolis, St. Paul & Sault Ste. Marie Railway Company	\$	10,000,000.00
Loss on lines abandoned and on property retired and not replaced	\$	1,539,475.25
Miscellaneous—Net Debit	\$	871,006.39
	\$	12,410,481.64

Profit and Loss Balance, December 31, 1940, as per Balance Sheet 144,045,295.46

Net Income for the year amounted to \$20,145,055, being \$10,362,907 greater than in 1939.

RAILWAY EARNINGS AND EXPENSES

The comparative results of railway operations were as follows:—

	1940	1939	Increase or Decrease
Gross Earnings	\$ 170,964,897	\$ 151,280,609	\$ 19,684,188
Working Expenses (including taxes)	\$ 135,325,459	\$ 122,756,880	\$ 12,568,579
Net Earnings	\$ 35,639,438	\$ 28,523,819	\$ 7,115,619
Expense ratios:			
Including taxes	79.15%	81.15%	2.00
Excluding taxes	74.61%	78.26%	3.65

GROSS EARNINGS increased by \$19,684,188, or 13 per cent. Each month contributed to this increase with the exception of September, during which there was a substantial reduction owing to the absence of the usual heavy movement of grain.

FREIGHT EARNINGS increased by \$15,493,585, or 12.9 per cent., and were greater than those of any year since 1929.

Earnings from grain and grain products showed a decrease of \$4,171,034, or 13.1 per cent. The total handling of all grains during the year amounted to 166 million bushels, as compared with 203 million bushels in 1939, an average of 155 million bushels for the years 1930-1939 (during which grain production was generally sub-normal) and an average of 254 million bushels for the years 1925-1929. Delayed movement of the 1939 crop resulted in increases in grain earnings during the early months of the year, but these were more than offset by reductions in the autumn months.

The Prairie Provinces wheat crop of 525 million bushels in 1940 was second only to the 1928 crop of 545 million bushels, the largest in the history of these Provinces. However, with much of the normal export market closed as a result of the war, the terminal elevators were over-taxed, and it became necessary to hold a large part of the wheat on farms or in country elevators. At the end of the year it was estimated that only 30 per cent. of the crop had been moved, as compared with about 60 per cent. in 1939 and 70 per cent. in 1938.

Apart from grain, freight earnings increased 22.2 per cent., gains being shown in every important class of commodity except fruits and vegetables and anthracite coal. There were particularly heavy movements of manufactured goods, construction materials, petroleum products, bituminous coal, coke, and miscellaneous freight. Owing to lack of ocean tonnage on the Pacific large consignments of lumber and timber moved from British Columbia to eastern ports for shipment overseas, and special rates were provided for this movement. The inability of producers of pulp and paper in enemy-controlled parts of Europe to reach American markets was an important factor leading to increased movement of these commodities from Canada. There was a substantial gain in shipments of dressed meats and packing house products to the United Kingdom. Ores and concentrates and refinery and smelter products moved in increased volume. Owing to wartime conditions, there was a notable

change in the geographical distribution of originating tonnage. Losses in the Prairie Provinces were more than counterbalanced by impressive increases in the East and in British Columbia.

PASSENGER EARNINGS increased by \$2,784,687, or 17.8 per cent., as a result both of military movements and of increased business activity. Among the adverse features were the virtual disappearance of ordinary passenger traffic in connection with the Atlantic steamships and a considerable reduction in travel through Pacific Coast ports. Unfortunately, during the summer widespread publicity was given to false reports of difficulties encountered by United States citizens entering and leaving Canada. These tended to interfere with tourist traffic in the early part of the season, but later their effect was largely overcome by intensive publicity in which your Company participated.

OTHER EARNINGS increased by \$1,405,925, or 0.2 per cent., notwithstanding a decrease of \$2,236,232 in steamship traffic commissions, which were discontinued on February 1, as explained at the last annual meeting. Under this heading the largest increase was in express earnings, but sleeping car, dining car, news service and other passenger train revenues also showed considerable gains. There was also a substantial improvement in switching and storage revenues and other miscellaneous items.

WORKING EXPENSES increased by \$12,568,579, or 10.2 per cent. Excluding taxes, the increase was \$9,163,205, or 46.55 per cent. of the increase in gross earnings. The ratio of working expenses (excluding taxes) to gross earnings of 74.61 per cent. was the lowest ratio of any year since 1917, with the exception of 1926, when it was 74.41 per cent.

MAINTENANCE OF WAY AND STRUCTURES EXPENSES increased by \$2,119,456, or 10.9 per cent. During the year 1,473,986 treated and 1,609,582 untreated ties were placed in track. New rail laid totalled 229 single track miles. Rock ballast was applied to 108 single track miles between Winnipeg and Fort William, completing the rock ballasting of the main line between these points.

MAINTENANCE OF EQUIPMENT EXPENSES increased by \$4,955,668, or 17.2 per cent. Effective January 1, depreciation for rolling stock was provided on the basis of use. This involved charges to maintenance to the amount of \$10,317,760, as compared with charges for retirements in 1939 of \$7,411,151. The difference of \$2,906,609 reflects the increase in the use of rolling stock as well as the change in the method of accounting. Expenditure on locomotive repairs amounted to \$8,864,494 and included the shopping of 572 engines for heavy repairs. The boilers of 15 passenger locomotives were completely renewed, and new tenders were provided for 19 freight locomotives. Expenditure on freight train car repairs amounted to \$6,480,285 and included main shop overhauling of 11,738 freight cars. Passenger train car repairs amounted to \$5,034,367 and included the overhauling of 1,167 passenger cars. At the close of the year 89.5 per cent. of locomotives and 96.0 per cent. of freight cars were in serviceable condition, as against 85.6 per cent. and 96.5 per cent., respectively, at the end of 1939.

TRANSPORTATION EXPENSES increased by \$3,344,182, or 6.1 per cent. They amounted to 33.97 per cent. of gross earnings as compared with 36.18 per cent. in 1939. This was the best ratio yet attained. The improvement in transportation performance is further indicated by the following comparisons:—

	1940	1939
Freight train fuel consumption—pounds per 1,000 gross ton miles	97	1,171
Freight train load—tons	1,747	1,732
Freight train speed—miles per hour	17.5	29.573
Gross ton miles per freight train hour	30,653	

OTHER WORKING EXPENSES increased by a net amount of \$2,149,273. As a result of the changed method of accounting for the cost of soliciting ocean steamship traffic, to which reference has previously been made, traffic expenses incurred on account of the ocean steamships have been charged directly against their earnings and are no longer included in railway working expenses. In 1940, expenses so charged amounted to \$1,611,692. The expenses of the Immigration and Colonization Department, amounting to \$231,837, were included in traffic expenses instead of being charged to Land Surplus as in previous years. While some of the work of this department is still directly related to the sale of lands, the greater part of its activities now has in view the long term traffic benefits brought about by increased settlement and the development of the resources of the country. During the year the salaries of the senior officers and the fees of the Directors were restored to the basic rates of 1930. Taxes were higher by \$3,405,873, bringing railway tax accruals for the year up to \$7,765,865, an increase of 78.1 per cent.

OTHER INCOME

Other income totalled \$10,692,163, an increase of \$3,927,312, or 58.1 per cent.

Dividend income increased by \$77,822. There was an increase of \$420,625 in dividends received from The Consolidated Mining and Smelting Company of Canada, Limited, which were at the rate of \$2.25 per share as compared with \$2.00 in 1939, but this was partially offset by a decrease in other dividends.

Net income from interest, exchange, separately operated properties and miscellaneous sources increased by \$87,527. Interest received on deferred payments under land contracts, which heretofore has been credited to Land Surplus, was included for the first time under this caption.

The operation of ocean and coastal steamships resulted in a net profit of \$3,075,910, as compared with a net loss in 1939 of \$1,274. As reported at the last annual meeting, commencing with their first voyage from the United Kingdom after February 1, 1940, your Company's Atlantic fleet were requisitioned by the Ministry of Shipping to be operated for the account of the British Government. Some details of hire for requisitioned vessels remained unsettled at the end of the year, and the items affected have been estimated for inclusion in the year's results. As your fleet was intensively used throughout the year, the withdrawal of vessels from service for normal overhaul was necessarily restricted, but adequate provision for maintenance has been made in the accounts. Depreciation was accrued on all ships at the same rate (5 per cent.)

GENERAL BALANCE SHEET, DECEMBER 31, 1940

ASSETS	\$	\$
PROPERTY INVESTMENT:		
Railway, Rolling Stock, Inland Steamships, Hotel, Communication and Miscellaneous Properties	\$ 846,653,117.55	
Improvements on Leased Railway Property	\$ 96,959,008.67	
Ocean and Coastal Steamships	\$ 81,784,632.96	
Stocks, Bonds and Other Securities of Leased, Controlled and Jointly Controlled Railway Companies and Wholly Owned Companies	\$ 195,967,035.74	
		\$ 1,221,363,794.92
OTHER INVESTMENTS:		
Miscellaneous Investments—Cost	\$ 26,312,067.27	
Advances to Controlled and Other Companies	\$ 25,937,756.67	
Mortgages Collectible and Loans and Advances to Settlers	\$ 3,769,892.39	
Insurance Fund Investments	\$ 8,265,674.54	
Deferred Payments on Lands and Townsites	\$ 32,267,948.44	
Unsold Lands and Other Properties	\$ 24,689,654.62	
Steamship Replacement Fund	\$ 18,620,839.99	
		\$ 139,863,833.92
CURRENT ASSETS:		
Material and Supplies	\$ 18,857,226.37	
Agents' and Conductors' Balances	\$ 9,267,656.83	
Miscellaneous Accounts Receivable	\$ 8,095,957.09	
Cash	\$ 38,029,312.29	
		\$ 74,250,152.58
UNADJUSTED DEBITS:		
Insurance Prepaid	\$ 150,762.30	
Unamortized Discount on Bonds	\$ 2,307,418.09	
Other Unadjusted Debits	\$ 448,514.87	
		\$ 2,906,695.26

NOTE.—Particulars of securities held for account of the Company, of obligations of the Company in respect of the principal of securities of other companies owning railway lines operated under lease, and of contingent liabilities of the Company are set out in the accompanying schedules.

1,438,384,476.68

AUDITORS' CERTIFICATE:

We have examined the Books and Records of the Canadian Pacific Railway Company for the year ending December 31, 1940, and having compared the above Balance Sheet and related schedules therewith, we certify that in our opinion it is properly drawn up so as to show the true financial position of the Company at that date, and that the Income and Profit and Loss Accounts correctly set forth the result of the year's operations.

Montreal, March 7, 1941.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.
[Advertisement]

(Continued from page 561)

Phillips, in the course of his speech circulated with the report, makes it clear that leaf tobacco in bond has in fact been considerably reduced after a year in which consumption has continued and replacement has been impeded. The difficulty, of course, arises from the virtual suspension of imports from the U.S.A., which formerly supplied some 70 per cent of normal annual British consumption. Mr Phillips, however, expressed the opinion that the curtailment of leaf stock would not lead to any immediate shortage of supplies for manufacturing purposes. He also provided the welcome information that, despite inevitable separation from export markets, the volume of exports was approximately maintained in 1940, thanks to an increase in trade with those markets which have remained free. Apart from such anxieties as exist about leaf supplies, the company is likely to be faced with labour shortage, and possible rises in wages. There is, however, every indication that demand will be maintained, and in the absence of serious loss by enemy action earnings should not suffer appreciably. The £1 ordinary stock, at 26s. 6d., offers a yield of £7 15s. 4d. per cent.

J. and P. Coats' Profits

The fall in J. and P. Coats' total profits, struck after tax, other than tax on dividends, and depreciation, from £2,187,797 to £1,884,852, for the calendar year 1940, is not considerable in view of last year's steep rise in tax liability. The figures which are supplied in the preliminary statement indicate that published profits are still above the level earned in 1936 and 1938, and it is possible that the trend of gross revenue, before tax or

as adopted by the British Ministry of Shipping in its chartering arrangements. Four of your Company's ocean vessels, having a gross tonnage of 78,666, were sunk by enemy action during 1940, and at the end of the year your fleet was reduced to 246,072 gross tons. The operation of coastal steamships resulted in increased earnings, and no damage of an important nature was sustained by vessels in this service during the year.

There was an improvement of \$614,779 in net earnings of hotel, communication and miscellaneous properties, of which amount hotel operations accounted for \$228,406 and communications \$217,686.

DIVIDENDS

Dividends aggregating \$5,042,782, representing 4 per cent. on the non-cumulative Preference Stock, were declared from the net income of the year. Your Directors decided that no action should be taken with respect to a dividend for the year 1940 on the Ordinary Capital Stock.

LIABILITIES	\$	\$
CAPITAL STOCK:		
Ordinary Stock	\$ 335,000,000.00	
Preference Stock—4 per cent. Non-cumulative	\$ 137,256,921.12	
		\$ 472,256,921.12
PERPETUAL 4 PER CENT. CONSOLIDATED DEBENTURE STOCK	\$ 479,421,128.74	
LESS: Pledged as collateral to bonds, notes and equipment obligations	\$ 183,982,900.00	
		\$ 295,438,228.74
FUNDED DEBT	\$ 219,101,211.95	
LESS: Securities and cash deposited with Trustee of 5 per cent. Equipment Trust	\$ 11,311,736.70	
		\$ 207,789,475.25
CURRENT LIABILITIES:		
Audited Vouchers	\$ 5,150,263.36	
Pay Rolls	\$ 3,232,097.26	
Net Traffic Balances	\$ 731,338.08	
Miscellaneous Accounts Payable	\$ 4,577,649.68	
Accrued Fixed Charges and Guaranteed Interest	\$ 2,476,046.62	
Unmatured Dividend Declared	\$ 2,521,390.85	
Other Current Liabilities	\$ 5,282,400.36	
		\$ 23,971,186.21
DEFERRED LIABILITIES:		
Domestic Government Unemployment Relief	\$ 3,428,162.71	
Miscellaneous	\$ 2,404,201.38	
		\$ 5,832,364.09
RESERVES AND UNADJUSTED CREDITS:		
Rolling Stock Depreciation Reserve	\$ 61,792,225.52	
Hotel Depreciation Reserve	\$ 7,117,252.69	
Steamship Depreciation Reserve	\$ 51,988,550.56	
Investment Reserve	\$ 17,526,313.32	
Insurance Reserve	\$ 8,265,674.54	
Contingent Reserves	\$ 5,184,830.86	
Unadjusted Credits	\$ 2,711,088.16	
		\$ 154,585,945.67
PREMIUM ON CAPITAL AND DEBENTURE STOCK		\$ 68,551,646.45
LAND SURPLUS		\$ 65,913,413.69
PROFIT AND LOSS BALANCE		\$ 144,045,295.46
		\$ 1,438,384,476.68

E. A. LESLIE,
Controller.

Bryant and May Accounts

Profits for the year to March 31, 1941, struck after all expenses except depreciation, are reduced from £636,602 to £523,912, a decline which, as the directors state, is fully accounted for by increased taxation. After allocating £80,000, against £50,000, for depreciation and meeting debenture and preference service, the surplus for ordinary and partnership shares and for the employees' proportion is rather over £90,000 lower at £406,712. The tax-free ordinary dividend, for the first time in the past decade, is cut from 25 to 22½ per cent, absorbing £297,000 against £330,000, and the allocation to reserve fund is halved at £50,000. With the partnership dividend, maintained at 10 per cent on a slightly increased capital, there is, however, a reduction in the carry-forward from £135,657 to £124,999. It is probable that the suspension of large-scale import of matches last year, together with an actual increase in home production, benefited Bryant and May and the holding company, British Match, at the expense of

foreign competitors. Such reduction as took place in home consumption has not, of course, affected the demand for Bryant and May's products, and future profits will clearly be determined solely by the available supply of match wood and the pressure of costs and taxation. The balance sheet shows a rise in stocks from £254,108 to £292,073 and a decline in advances for timber purchases from £61,999 to £49,737. After the draft on general reserve for payment to British Match of the bonus dividend of £200,000, agreed at last year's annual meeting, the balance-sheet total is reduced from £850,000 to £750,000. Creditors and debtors show normal increases, and cash holdings are moderately higher at £899,710 against £862,217. The £1 14 per cent cumulative preference shares, at 52s. 6d., ex dividend, yield £5 6s. 8d. per cent.

West Rand Consolidated

The full accounts of West Rand Consolidated for 1940 show record earnings and output. Total profits, after deduction of operating expenses, increased from

£1,448,030 to £1,954,413, while gross revenue from gold production passed the £4,000,000 level for the first time at £4,303,404. The sum due in Union income tax rose steeply from £581,376 to £1,033,586, and capital expenditure, charged against profits, increased by more than £100,000 to £198,405. The dividends are maintained at 25 per cent on ordinary shares and £7 1s. 8d. per share on deferred shares, involving a reduction in the carry-forward from £114,380 to £90,827. The report indicates that last year's progress is largely to be attributed to the improvement in the native labour position, which made possible use of the south reduction plant at capacity, and further progress with development operations, which had to be checked in 1939. Consequently, there is an improvement in ore reserves, despite the record activity of the mine, from 10,447,000 to 10,800,000 tons, with an average value of 4.3 dwts. against 4.4 dwts. Tonnage milled increased from 2,520,000 tons to the new record of 2,781,000 tons. There appears to be no immediate prospect of a further increase in production, and the slight fall in grade of ore milled suggests that, in the absence of fresh economies, revenue before tax is not likely to improve further. The 10s. ordinary shares, at 31s. 3d., offer a yield of £8 2s. per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

No revival of business took place before the weekend, and, on Monday, while sentiment improved slightly and there was an increased demand for undated Funds, turnover remained at a very low level. A moderate rally the next day, occasioned mainly by the prospect of investment demand arising from holders of the newly requisitioned dollar stocks gave way in midweek to a small volume of selling on news of the capitulation of two Greek armies, a movement followed by a fractional recovery. The main price movements of the week have been concentrated on the gilt-edged market, business in all other sections remaining at a minimum.

Small losses in the gilt-edged market before the weekend were generally corrected in the first two days of the week. The improvement was concentrated on undated investment stocks. Thus, 3½ per cent War Loan gained ½ on Monday, followed by ½ the next day, when 2½ and 4 per cent Consols, 4 per cent Funding and Local Loans all improved the same amount. Tuesday's gains were, however, largely reversed in midweek. The foreign bond market was characterised by the recovery of Brazilian issues. European bonds generally shared in the setback caused by the critical nature of the war news from Greece. French rails lost ground before the weekend, and Greek, Spanish and Belgian issues were also subject to occasional selling.

Home rail issues remained quietly firm, with few price changes. Great Western ordinary enjoyed a steady improvement of ½ point on Friday and Tuesday, but reacted ½ point on Wednesday. LMS ordinary was also in demand and a few of the senior issues improved. Among foreign rails, Argentine issues gave way on small but persistent selling. Bengal and North Western continued to improve and Canadian Pacific ordinary was also in demand.

The industrial market remained dull throughout. Before the weekend, there was some weakness in the aircraft and motor section, and Morris, Hawker, Austin and Bristol Aircraft all lost 3d. On Monday, Hudson's Bay and Sudan Plantations were quoted lower and, the next day, heavy industrials suffered a long list of small losses, which included

Babcock and Wilcox, John Brown, Colvilles and Dorman Long. Among miscellaneous industrials, Pinchin Johnson lost a few pence and Dunlop, ICI and London Brick were sold. In midweek, the tobacco leaders were unchanged on balance, following a momentary setback.

The war news was the dominant influence in the mining and commodity share markets. Turnover in kuffirs remained small, but a number of moderate gains were realised early in the week. Thus, Springs and Consolidated Goldfields gained ½ on Monday, and the next day Grootvlei and West Wit Areas improved ½. The tone, in general, remained firm despite lack of business. In the rubber market, a number of companies, including United Sui Betong, Malayalam, Rubber Trust and Bukit Rajah suffered losses before the weekend. In the oil market, remarkable firmness was displayed by Anglo-Iranian issues, the ordinary shares improving daily. Trinidad issues were also firm and Leaseholds continued to improve in midweek. Canadian and Mexican Eagles were both sold in a small way.

"FINANCIAL NEWS" INDICES

1941	Approx. Total Bargains in S.E.	Corres. Day 1940	Security Indices
			30 Ord. shares* 20 Fixed Int.†
Apr. 17...	1,511	3,252	66.9 127.9
" 18...	2,080	3,235	66.9 127.9
" 21...	2,682	4,672	66.8 128.0
" 22...	2,222	3,963	66.8 128.2
" 23...	2,480	4,263	66.5 128.0

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1941; highest, 73.7 (Jan. 17); lowest, 66.5 (Apr. 23). 20 Fixed Int., 1941; highest, 128.8 (Apr. 2); lowest, 126.1 (Jan. 2).

New York

TRADING on Wall Street remained extremely sluggish during the past week, with turnover low and price movements narrow. Sentiment was depressed by anxiety regarding the Balkan situation, and by pessimism with regard to the impact of further taxation at home. Before the weekend, steel issues were offered, but during the present week there has been little perceptible change in the majority of quotations. On Tuesday, there were signs that dealers had already discounted the possible capitulation of various Greek forces. In midweek, despite fears of surtax in-

crease, demand increased toward the close, and steel issues improved.

The Iron Age estimates steel mill activity at 96 per cent of capacity, against 98.5 per cent in the previous week.

New York Prices

Total share dealings: Apr. 16, 440,000; Apr. 17, 400,000; Apr. 18, 490,000; Apr. 19, 230,000; Apr. 21, 205,000; Apr. 22, 440,000.

Close 1941	Close 1941	Close 1941	Close 1941
Apr. 16	Apr. 17	Apr. 18	Apr. 19
15.25	15.25	15.25	15.25
1941 1941	1941 1941	1941 1941	1941 1941
1. Railroads	Celanese of A.	20 1/2	56 1/2
Balt. & Ohio ... 31	Chrysler ... 59	25 1/2	24 1/2
Ill. Cent. ... 23 1/2	Curt. Wr. ... A	130	125 1/2
N.Y. Cent. ... 11 1/2	Eastman Kdk. ... 30 1/2	29 1/2	29 1/2
Northern Pac. ... 6 1/2	Gen. Elec. ... 40	37 1/2	37 1/2
Pennsylvania ... 23 1/2	Inland Steel ... 71 1/2	70	70
Southern ... 11 1/2	Int. Nickel ... 25 1/2	34 1/2	34 1/2
2. Utilities, etc.	Liggett Myers ... 13	12 1/2	12 1/2
Amer. Tel. ... 157 1/2	Nat. Dairy ... 20	18 1/2	18 1/2
Amer. W'kcs. ... 4 1/2	Nat. Distillers ... 52 1/2	51	51
Pac. Light ... 35 1/2	Nat. Steel ... 52 1/2	51	51
Pub. Sv. N.J. ... 24 1/2	Proct. Gamble ... 53 1/2	53 1/2	53 1/2
Sth. Cal. Ed. ... 24 1/2	Sears Roebuck ... 69 1/2	67 1/2	67 1/2
United Gas ... 7 1/2	Shell Union ... 12 1/2	12	12
3. Commercial and Industrial	Socoy Vac. ... 35	34 1/2	34 1/2
Amer. Metal ... 16 1/2	Stqn. Oil N.J. ... 5 1/2	5 1/2	5 1/2
Am. Roll. Ml. ... 13 1/2	20th Cen. Fox ... 51 1/2	50 1/2	50 1/2
Am. Smelting ... 36 1/2	West. Hose. El. ... 90 1/2	89 1/2	89 1/2
Anaconda ... 22 1/2	Woolworth ... 20 1/2	20 1/2	20 1/2
Briggs ... 19 1/2	Yngstn. Sheet ... 31 1/2	31 1/2	31 1/2

STANDARD STATISTICS INDICES (1926 = 100)

WEEKLY AVERAGES				
	1941	Apr. 16, 1941	Apr. 17, 1941	Apr. 18, 1941
347 Industrials	84.9	88.8	86.3	85.4
32 Rails	25.4	28.0	26.8	26.6
40 Utilities	471.3	78.7	73.8	71.3
419 Stocks	73.3	82.1	76.4	73.6
Av. yield*	6.65%	6.13%	6.31%	6.50%

* 50 Common Stocks. (a) Jan. 22. (b) Jan. 8. (c) Feb. 11. (d) April 16.

DAILY AVERAGE 50 COMMON STOCKS					
Apr. 10	Apr. 11	Apr. 12	Apr. 14	Apr. 15	Apr. 16
94.40	Closed	93.50	93.80	93.50	93.60
1941 High: 105.80, January 10. Low: 92.40 February 14.					

(Continued on page 565).

Industry and Trade

Improving Factory Attendance

The war has enormously increased the waste of labour arising from excessive turnover, absenteeism and unpunctuality, just at the time when economy of labour is of the utmost importance. Turnover appears to be something like three times what it was before the war, which means, in the case of factories employing women, the equivalent of a complete change of staff during the year. The chief cause of this is the shortage of labour, and something has been done to meet it in the engineering industries by Government restrictions on movement and advertising, but such negative measures can have only a limited degree of success. As by far the majority of people changing jobs have been in them for less than a year, the organisation of suitable training schemes, which will make beginners more competent, and therefore more contented, is probably the best antidote. Selection tests which would ensure the new entrant being given the job best fitted to him would also be a help. Absenteeism, especially among women, particularly married women, is a cause of grave concern, even in the best-conducted factories. The commonest cause is "home circumstances"—shopping difficulties, husbands home on leave, complications with the children, or air-raid damage. Shopping is a real difficulty, for it is no longer possible to do the domestic catering at any regular predetermined time, nor even always to do it in one expedition. The butcher may be sold out before the fishmonger's stock has come in, while most of the unrationed foods, a few of which must be found, even though they are not individually indispensable, require careful reconnaissance work at a variety of times.

It is suggested in an article by Mrs W. Raphael in the April issue of *Occupational Psychology* that factories could do something to help in the matter by allowing their canteens to stock essential foods, including rationed articles, which women could buy in the lunch hour. Sickiness is quoted in this article as the second most important cause of absenteeism, though there is no evidence that the sickness rate has increased since the war. Third in importance comes lateness. Employees of both sexes, finding that they are going to be very late, perhaps because of dislocation to transport, are apt to decide that it is not worth while to go at all. Excessive hours, which though now forbidden for women, are still being worked in some cases by men, lead to the need for an occasional day off in order to recuperate. All these causes also contribute to unpunctuality, which is further encouraged, among the least conscientious minority, by the consciousness of a labour shortage. Many of the causes of absenteeism and unpunctuality call for sympathy rather than repression, and where attendance cannot be improved the ideal solution is to adjust the factory organisation in such a way that the individual's bad attendance does less to hinder production. Best of all, where the labour can be obtained and the machinery is not too complex, is a system of understudies, nor-

mally employed on jobs that can be postponed, but trained to replace absentees. Failing this, there is nothing for it but an appeal to the employees, and these, according to the evidence Mrs Raphael has found, invariably elicit a response. Such devices as slogan competitions, output competitions between shifts, punctuality and attendance drives, have all been found to produce good results. A regular practice of interviewing all late comers and absentees also tends noticeably to a reduction of carelessness in these matters, which, if allowed to pass without comment, tends to become habitual. It is, however, rightly observed that appreciation must also be shown to the very many who have maintained punctual and regular attendance in the face of severe difficulties, discomfort and danger.

The Volume of Food Sales

The value of food sales in Great Britain, as reported by the Bank of England on the basis of a representative sample of shops, has shown an almost uninterrupted upward trend since the outbreak of war. But in view of the rise in prices, the value of food sales does not reflect changes in the volume of turnover. In order to obtain a rough measure of the trend in the volume of food sales, the Bank of England's value figures have been adjusted for changes in the food component of the Ministry of Labour's index of the cost of

INDICES OF THE VOLUME OF FOOD SALES (1935 = 100)

	1932	1938	1939	1940	1941
January	88 1/2	101	103 1/2	95	94
February	88 1/2	106	110	97	96
March	80	108	113 1/2	105 1/2	
April	88 1/2	116	123	106 1/2	
May	89 1/2	109	123	109 1/2	
June	96 1/2	110 1/2	112	99	
July	90 1/2	104 1/2	112 1/2	104	
August	88 1/2	107 1/2	115 1/2	88	
September	89	108	109	92	
October	91	107	101 1/2	91	
November	104 1/2	129	117	107	
December					
Total	92	108 1/2	111 1/2	99	

living. The resulting indices, tabulated in the accompanying table, suggest that the upward trend in the volume of food sales was arrested soon after the outbreak of the war. Indeed, from November, 1939, the indices are consistently lower than those for the corresponding months a year earlier. For 1940 as a whole the index of the volume of retail food sales shows a reduction of 11 per cent, from the figure for 1939. But the index for 1940 is still 7 1/2 per cent above that for the depression year 1932. True, Great Britain's population in 1940 was greater than in 1932, but the increase must have been largely offset by the growth of the armed forces, who have their own catering arrangements.

(Continued from page 564)

Capital Issues

Week ending April 26, 1941	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
Net Savings Certs.†	2,567,220	2,567,220	2,567,220
3% Defence Bonds(a)	2,802,610	2,802,610	2,802,610
2 1/2% Nat. War Bonds†	500	500	500
4 1/2% Nat. War Bonds†	4,248,033	4,248,033	4,248,033
3% Savings Bonds†	4,889,825	4,889,825	4,889,825

† Week to April 15, 1941. Total sales, Nov. 22, 1939, to April 15, 1941, £203,488,360. ‡ Week to April 15, 1941, making total since June 25, 1940, £443,110. (a) Total sales to April 15, 1941, £280,285,495. (b) Total sales to April 15, 1941, £104,129,814. (c) Total sales January 2, 1941, to April 15, 1941, £165,085,699.

Destination (Conversions Excluded)

Year	U.K.	Brit. Emp.	Foreign ex U.K. Countries
'41 (New Basis)	389,996,441	2,548,103	Nil
'40 (New Basis)	383,705,495	479,432	Nil
'41 (Old Basis)	389,491,357	2,500,000	Nil
'40 (Old Basis)	383,705,344	142,456	Nil

Nature of Borrowing (Conv. Excl'd.)

Year	Deb.	Prof.	Ord.
'41 (New Basis)	389,884,030	34,460	2,627,054
'40 (New Basis)	383,702,966	605,807	9,876,164
'41 (Old Basis)	399,491,357	Nil	2,500,000
'40 (Old Basis)	382,979,500	77,500	740,800

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

RESULT OF TENDER

Bristol Corporation Bills.—Tenders for £500,000 bills were opened on April 22nd. Amount applied for, £3,000,000. Tenders at £99 9s. 9d. received an allotment of 29.4 per cent. Average rate of accepted tenders was £1 0s. 5.32d. per cent per annum.

Shorter Comments

Shell Union Oil Corporation.—Gross earnings three months to March 31st, 1941, \$62,990,600 (\$67,006,300). Net income, \$3,621,800 (\$5,314,100). Net income struck after, \$1,046,300 or \$96,500 extra for tax. Costs and expenses, \$47,044,700, a decrease of \$2,076,000. Charges for depreciation were \$449,300 smaller at \$10,569,900.

Chrysler Corporation.—Net sales 1940, \$744,561,238 (\$549,806,327). Cost, \$633,606,186 (\$459,655,341). Net profit, \$37,802,279 (\$36,879,828). Dividends paid, \$5.50, against \$5. Forward \$115,669,127 (\$107,960,682).

Transvaal Working Profit, March.—Total estimated working profit of Witwatersrand gold mines for March, £3,897,732, against £3,670,312 for February.

Shipping Losses

The public must be prepared for worse news of the Battle of the Atlantic before Mr. Churchill's confidence in a decisive victory is justified by results. The losses since the renewal of the offensive early in February have been serious. The rate of attrition must be more than halved before the tide can be said to be turning. But, as the accompanying table shows, the sinkings so far announced—the figures for March are only provisional—are still below the level reached in the worst

AVERAGE WEEKLY SHIPPING LOSSES.
(In gross tons.)

	British	British, Allied	British, Allied & Neutral.
Sept. 3, 1939—April 28, 1940	22,200	25,500	41,000
1940 May	22,700	49,800	59,700
June	57,900	97,300	121,400
July	61,500	73,200	88,900
August	64,200	74,600	85,300
September	70,200	95,800	106,500
October	63,600	77,100	88,100
November	68,100	86,000	89,700
December	53,700	66,500	69,800
1941 January	39,300	56,100	56,700
February	66,400	84,200	85,000
March	72,200	95,800	98,600
May 1940—Mar. 1941	56,300	75,200	83,700

periods of last summer and autumn. It remains to be seen whether stronger British escorts, combined with the bombing of the submarine bases and shipyards along the European coast, can neutralise at this stage the intensified efforts which the Germans are making; but it would be no matter for surprise if the record of the current month—which will probably not be revealed for another fortnight or three weeks—shows an increase in losses.

* * *

An Invaluable War Service

A piece of spontaneous war work whose value can hardly be overestimated is being done by the British Standards Institution, which, a few months before the war, offered its services to the Government as a complete unit. The offer was accepted with alacrity, and upon the outbreak of war the Institution revised its procedure and set up a large number of small executive committees to deal with the various sections of its work. The Government departments are finding this machinery invaluable in the preparation of specifications, as the Institution has not only the experience but the "contacts" necessary for the most efficient execution of this work. As it is invited to send a representative to appropriate meetings of the Materials Committee of the Production Executive, it is able to bring about a considerable measure of co-ordination in the preparation and issue of specifications. It is estimated that the first issue of specifications for tins and cans saved 40,000 tons of steel in the first year, and the adoption of a specification for bolts and nuts with smaller heads is expected to save many thousands of tons a year. The work of rationalising alloy and special steels is also said to be well under way. It is not only in the field of metal work,

where the possibilities of waste by the absence of standardisation are the most spectacular, that the British Standards Institution is rendering service. It is also being used by the Ministry of Works and Buildings; by the Ministry of Home Security in connection with A.R.P. work; and it is even providing the definitions which are necessary for the administration of the purchase tax. All this is an admirable contribution to the war effort, and it is particularly satisfactory that it is not being accompanied by any relaxation in the collaboration of the Institution with the Dominions and the Argentine. This collaboration is of the utmost value to our export trade.

* * *

The Ministry of Labour Sets an Example

The functions of government have undergone so great expansion and extension in consequence of the war that the organisation of the respective departments is transformed out of all recognition. The Ministry of Labour has been the first to recognise that this development calls for steps to familiarise the public with the various new departments, and has issued a handbook explaining its own organisation. The functions of the Labour Supply Board, the Labour Supply Departments, the Engineering Branch, the Training Department, the International Labour Branch (specially devoted to the employment and welfare of friendly aliens), the Factory and Welfare Advisory Board, the Seamen's Welfare Board, the Factory and Welfare Departments, the National Service Department, the Military Recruiting Department, the Industrial Relations Department, the Trade Boards Department, the Statistics Branch, the International Labour Organisation Department, the Unemployment Insurance Department, and the Juvenile Department are all explained, and the local organisation of the Ministry is set out in a similar way. There are other ministries which might follow this example with great benefit to the public. Much valuable time could be saved by business men on important work if the Ministry of Supply, for example, were to publish a similar description of its organisation. It is one of the differences between dictatorship and democracy that in a democracy the Government departments are the servants of the public, and the more the public knows of the nature and whereabouts of the available services the better for the cause for which we are fighting.

* * *

Training Canal Boatmen

About two months ago Mr Frank Pick was appointed by the Minister of Transport to investigate and report upon the use of inland waterways. While his report has not yet been completed, it is understood that he has already been able to make certain suggestions to the Minister, one of which has been embodied in an offer of grants to canal carriers for the training of boatmen. A canal boat, as distinct from a barge, is a small vessel for the navigation of non-tidal waterways, and it is the object of the Ministry of Transport to bring back into service as many of these as possible. The chief difficulty is the shortage of competent boatmen, and to encourage carrier companies to train a supply the Ministry of Transport is offering a grant of £10 for each man trained, to help to meet the additional costs arising from slower working and possible damage. The grant will be paid upon the completion of training provided the Minister is satisfied that, as a result of training more men, the company has made a net addition to the number of boats in service. The carriers must also undertake to employ each man for a year after training. Assuming that £10 is a sum adequate to remove any serious financial objections on the part of carriers to joining the scheme, the chief difficulty is likely to be a shortage of suitable recruits. Among men over military age, this form of war work is likely to make a strong appeal to a very limited number, and its best chance of success is therefore likely to be found in skilfully directed publicity.

* * *

Copper

In 1940 deliveries of copper to consumers in the United States reached 1,002,000 short tons, against 814,400 tons in 1939. Although America's exports of domestic copper declined from 134,150 short tons to 48,500 tons, the high rate of home requirements led to

(Continued on page 571)

COMPANY MEETINGS

ROYAL EXCHANGE ASSURANCE

221st ANNUAL REPORT

STATEMENT BY THE RT. HON. LORD BICESTER, GOVERNOR OF THE ROYAL EXCHANGE ASSURANCE, ON THE OCCASION OF THE PUBLICATION OF THE ANNUAL REPORT AND ACCOUNTS OF THE CORPORATION FOR THE YEAR ENDED DECEMBER 31, 1940

Having regard to war conditions I am departing from my usual custom of giving a review of the work of the Corporation in the form of an address at our annual general court, which will be held on Wednesday, the 30th instant. In order that stockholders may be as fully acquainted as possible with the current affairs of the Corporation I am now enclosing a statement on the year's work to enable you to receive it with a copy of the annual report and accounts of the Corporation for the year ending December 31, 1940.

Two changes in the court of directors have taken place. Lord Catto has had to relinquish his seat on our court upon his appointment as Financial Adviser to His Majesty's Treasury, and Mr A. B. Leather, chairman of our associated company, The State, has been appointed a director.

In the United States Mr R. A. Lovett, a member of our American Advisory Board, had to resign upon being appointed a Special Assistant to the United States Secretary of War, and his place has been filled by Mr E. Roland Harriman.

There have been no important changes in our executive staff.

LIFE DEPARTMENT

In our life department the premium income of £1,377,000 was only £11,000 less than in 1939.

The net new sums assured under policies issued in 1940 were nearly £2,250,000, being 75 per cent. of the corresponding figure for 1939. The difficulty of forecasting the future of interest and mortality rates is recognized, and therefore a large addition of new business is not without its difficulties. It seems probable that the main cost of the war to life assurance companies may not lie in casualties to civilians caused by enemy action, but will arise from investment and taxation problems, none of which will cease with the cessation of hostilities.

The gross rate of interest earned during the year 1940 was £4 9s. 9d. per cent., or 2s. 6d. per cent. less than the corresponding figure for 1939.

The Corporation's determination to support the Government's war loans to the fullest possible extent will naturally result in a growing proportion of Government securities to other investments in the portfolio of the life fund, and as the duration of the war, and its after effects, are both unpredictable, it would be idle to attempt to forecast the level to which the net yield upon our investments may eventually fall.

QUINQUENNIAL BONUS DECISION

The year 1940 was a quinquennium year, and you will see that an amount of £85,658 is shown in the accounts as the Proprietors' share of the valuation surplus.

Among other changes in valuation standards it was considered advisable to reduce the rate of interest assumed in the calculation from 3 per cent. to 2½ per cent. per annum, an action which is amply justified, unfortunately, by the course of interest rates over the quinquennium.

In view of the uncertain outlook, and of the downward course of net interest yields, the directors felt that it would be prudent to limit the amount of bonus declared to a rate of £1 per cent. per annum of the sum assured for each full year's premium due and paid in the quinquennium ending December 31, 1940, and at the same time to continue that rate of bonus for policies becoming claims during the present quinquennium in respect of premiums paid since December 31, 1940.

Nevertheless, in order to avoid any hardships to policies becoming claims during the current quinquennium the directors considered that it would be proper to pay, in respect of such policies, a special interim bonus of 10s. per cent. per annum of the sum assured for every premium due, and paid, in the quin-

quennium ending on December 31, 1940, but they reserve the right to withdraw this interim bonus scheme at any time should circumstances appear to make it expedient.

A profit of £65,000 is shown as the result of the working of our annuity business over the period 1935-1940.

Last year I mentioned the connection between the demand by the general public for annuities and the decline in interest rates and subsequent earning power of investments, and I emphasized that this often entailed the investment of such purchase monies at a time when securities stood at high prices, giving correspondingly unattractive yields. To help the future interest earnings and to provide for a small estimated shortage in valuation your directors have this year made a transfer of £100,000 from the general profit and loss account to the annuity account, which has been applied in writing down the book value of the investments.

Our trustee and executor business has been carried on satisfactorily.

FIRE DEPARTMENT RESULTS

The results of our fire department have for the first time for many years proved disappointing. It would undoubtedly have been too sanguine to have expected this year's experience to have been good, in the light of the published estimate of losses in Great Britain, which during 1940 were £12,600,000, against £9,000,000 in 1939, an increase of approximately £3,600,000, or 40 per cent.

Many factors have combined to contribute to this unfavourable result. The growing intensity of the war effort, expansion of operative staffs, more continuous use of industrial plant, and the effects of the black-out have all tended towards an accumulation of risk, which would be less in times of peace. Added to this there are the higher values of property and goods destroyed.

The results in the foreign field were satisfactory, but our business in America has been unprofitable.

In addition to the assistance which, in common with insurance companies generally, we are rendering to the Government as their agents in connection with War Risk Commodity insurance, we are helping in other ways, and the work arising out of the recent passing of the War Damage Act will make still further demands upon us. The task is not made easier having regard to depleted staffs, but I have no doubt that they will cheerfully make every effort to meet this essential war work.

MARINE BUSINESS

Our marine department has, owing to a state of war, encountered many special and difficult problems. At the outbreak the Government set up a War Risks Insurance Office, since when most of the import and export cargoes of the country have been insured with that office. In addition the Government made arrangements to insure the hulls of British vessels against war perils.

We have, however, participated to a small extent in what business against war risks remained with the market, and this is principally the hulls of some foreign vessels and cargoes passing between neutral countries or between our Dominions and Colonies.

The risks at sea must inevitably lead to an increase in casualties falling under marine policies which in practice are attributable to working under war conditions, but this situation has been met in a wonderful spirit of co-operation by the market as a whole.

The Joint Hull Committee is working effectively, while the Advisory War Rating Committee has contributed invaluable

**More
Typewriters wanted**

To Speed Up The War Effort

H.M. Stationery Office ask all owners of typewriters to offer any which can be spared for work of urgent National importance. Machines should be in good working order and not over 20 years old.

THE DIRECTOR OF SUPPLIES (S3E),
H.M. Stationery Office, Princes Street, S.W.1.
State name of maker, model and whether you wish to sell or loan.

help in the smooth working of the cargo section of the business, and in addition the very necessary increase in marine cargo rates has been arranged by the creation of a surcharge agreement.

While the results of our marine department are not unsatisfactory, we have not made any transfer to our general profit and loss account this year.

ACCIDENT DEPARTMENT'S SATISFACTORY YEAR

Our accident department has had a satisfactory year.

The income of £1,078,000 represents a reduction which was fully anticipated under war conditions, but the profit figure of £160,000, including net interest, was more than we deemed it prudent to expect.

Constantly changing conditions, particularly abroad, make any detailed review of the account of little value, but there is one feature concerning reserves for outstanding liabilities to which attention should be drawn.

Full provision on the usual basis has been made to meet unsettled claims, both from home and overseas, but owing to the method of accounting which we have adopted in dealing with business from enemy and occupied countries, the item of "Payments under policies" has been increased, while the figure for "Total estimated liability in respect of outstanding claims" has been correspondingly reduced.

The accident account is in a very healthy condition, and these results are particularly satisfactory, occurring as they do in a year when we have been less fortunate in our fire business, a position which emphasises the great value that attaches to the composite and widespread nature of the corporation's insurance operations.

RESULT OF YEAR'S WORKING

In the general profit and loss account the conditions created by the war are reflected in the decrease in the receipts from interest, dividends, etc. We have not escaped defaults on some of our investments, and we have received no dividends from certain foreign subsidiaries.

The result shown on the account is a reduction in the balance of £111,000, of which £100,000 is the transfer to the annuity account investments and £11,000 the balance on the various revenue items brought into the account.

If they had thought it advisable to do so your directors might have brought into this account larger dividends from certain of our associated companies, as well as some of the increased accumulated profit in our own marine account. In the present circumstances, however, it was preferred to allow this slight reduction in the balance of the general profit and loss account.

The corporation has already paid a dividend of 11 per cent. (less income tax) in November last, and the directors are recommending at the annual general court on April 30th the payment of a further dividend of 19 per cent. (less income tax), making 30 per cent. on the capital stock of the corporation for 1940.

With regard to the results of our associated and subsidiary companies, the Car and General and the Motor Union have had an extremely good year. Some of our other companies have been adversely affected by the unsatisfactory results of the home fire business, which I have already mentioned, but in the aggregate the result of the year's trading is not unsatisfactory.

TRIBUTE TO STAFF

Before concluding these remarks I should like to pay a tribute to our staff for all they have accomplished in the past year.

From those attached to the head office and our branches and district offices in this country, 322 have joined the armed forces of the Crown. Many members of our overseas organisation are also serving the Empire. We wish them all good luck and a safe return.

I regret to tell you that two members of our staff have been killed on active service, and four civilian members as the result of enemy action in this country. We honour their memory and extend our deepest sympathy to those who mourn their loss.

It has been a difficult year—difficult because of the exceptionally heavy increase in the home fire losses experienced throughout the country, and difficult because of the conditions under which our business has had to be carried on. Some of our officials and staff have remained at our head office. The remainder are located in the country, and this distribution of our organisation has added enormously to the difficulties with which they have had to contend in carrying on the corporation's affairs; but it has been done efficiently and cheerfully, and we owe a very warm debt of gratitude to our managers, the heads of our departments, to our branch managers, our staffs, and in fact to the whole of our organisation throughout the country. Nothing could have exceeded their loyalty in their service to the corporation.

THE LONDON ASSURANCE

A CREDITABLE ACHIEVEMENT

The annual general court of the London Assurance will be held at the head office, London, on the 30th instant. The following is a summary of the statement issued on the publication of the accounts by the governor, Mr R. Olaf Hambro:—

Nineteen-hundred-and-forty was the closing year of the quinquennium period 1935-1940. The life assurance fund on December 31, 1940, was at the substantial figure of £10,968,393. They would be making the customary valuation as at the end of the current quinquennium in 1945, but they hoped conditions would have asserted themselves long before that date, enabling them to deal with the matter of bonus and in a way which would be satisfactory to their policyholders. On policies maturing by death or otherwise during the current year an intermediate reversionary bonus would be paid of £1 per cent. per annum, calculated on the sum assured and existing bonuses for each with profits premium due and paid since December, 1935, and under the old series of policies a cash bonus of 35 per cent. of the ordinary whole term with profits premiums due and paid since December 31, 1935, would be paid.

The valuation figures disclosed an exceedingly strong position of security to their life policyholders and in the better times which were surely ahead of them, their participation in the profits would exhibit as they had in the past, the tangible effects of the sound management of that section of their operations. At the end of each year the question of intermediate bonus would be examined and policyholders advised of their decision.

The profit and loss account disclosed that interests, dividends and rents received, less income-tax, amounting to £209,732, were slightly in excess of the amount required for dividends both to ordinary and preference shareholders. That was a satisfactory feature. Taking the various transfers from the revenue accounts, including the final figure in the life department in respect of the 1930-35 valuation period, the comparative figures turned out to be that in 1939 the total of those transfers amounted to £379,000, and in 1940 the total was all but the same at £376,000, which was a creditable achievement.

JAMES W. COOK AND COMPANY, LIMITED

DISTRIBUTION MAINTAINED

The forty-fourth annual general meeting of James W. Cook and Company, Limited, was held on the 23rd instant at the offices of the company, 130-138 Minories, London, E.C.

Mr W. J. Clarke (chairman and managing director) presided.

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

The chairman moved: That the statement of accounts, balance-sheet and report of the directors for the year ended December 31, 1940, be and the same are hereby received and adopted; that a final dividend on the ordinary shares of the company at the rate of 7½ per cent. per annum, less income tax, making with the interim dividend already paid 10 per cent. for the year, together with a bonus of 2½ per cent., less income tax, be now sanctioned and declared; that the sum of £7,500 be transferred to reserve for deferred repairs; that the sum of £7,500 be transferred to taxation reserve; and that the balance of £46,047 9s. 9d. be carried forward to the credit of the year 1941.

Mr R. Massey seconded the resolution, and it was carried unanimously.

On the proposition of Mr E. G. Devitt, seconded by Mr E. N. Foster, the auditors (Messrs. Lescher, Stephens and Co.) were reappointed.

On the proposition of Mr E. N. Foster, seconded by Mr P. A. Smith, a hearty vote of thanks was accorded to the chairman, directors and staff, and after a brief acknowledgment by the chairman, the proceedings terminated.

LANGEN (JAVA) RUBBER ESTATES COMPANY, LIMITED

"A VERY GOOD YEAR'S WORK"

The thirty-first ordinary general meeting of the Langen (Java) Rubber Estates Company, Limited, was held, on the 24th instant, in London, Mr H. Eric Miller (the chairman) presiding.

The following is a summary of the chairman's address circulated with the report and accounts: The crop accounted for in 1938-39 was 725,366 lbs., which compared with 1,351,389 lbs. in 1939-40, a figure 179,190 lbs. greater than the exports permitted to them under the regulations, rendered possible by the purchase of licences at a figure which left them a small profit. The increase in the export quota to 100 per cent. international, equivalent to 90 per cent. internal in the Netherlands Indies, had not required any alteration in the conservative tapping system in force on Langen.

As overheads were spread over a larger crop, estate cost of production showed a satisfactory decline per lb., but that was more than neutralised by the heavy increase in the amount which their Java company had had to provide for Netherlands Indies company tax and war profits tax. The average net sale price of the crop accounted for was two and one-third pence per lb. higher. The profit in the London company's accounts, after making provision for a substantially larger amount for national defence contribution, had to be trimmed still further by a transfer to taxation reserve of £1,500 towards their tax liability in this country, and the stockholders, who had 4 per cent. less tax the year before, were to receive a dividend of 5 per cent., less income tax, as their return for what might fairly be described as a very good year's work.

The general condition of the estate, buildings and machinery was good. Agriculturally all was well with Langen, and the demand by the U.S.A. for additional reserve stocks of rubber had maintained the rate of export at a high level, while at the same time assuring producers of a fair price for their exportable crop. He was afraid there was no prospect of obtaining relief from the heavy burden of taxation.

The report was unanimously adopted.

BATANG CONSOLIDATED RUBBER ESTATES, LIMITED

The twenty-first ordinary general meeting of this company was held on the 22nd instant, in London.

Mr E. F. Slade, J.P. (the chairman) said that their standard assessment for 1940 was 1,105,800 lbs., and had only reached that figure after an appeal. That was 184,700 lbs. more than in the previous year, which had shown an increase of 81,100 lbs. over 1938. He was sure it would be agreed that the figures spoke well of the productive capacity of the property and showed that every care had been given to its cultivation.

Their export allowance at 82½ per cent. was 912,285 lbs., while the estate had actually produced 941,000 lbs. On December 31st their unlicensed stock was 105,421 lbs. For the actual rubber exported an average gross price of 11.71d. per lb. landed London equivalent had been realised as against 9.95d. for the previous year. As a result of the increase in output and the higher price, their net profit was £17,303, compared with £5,103 in the previous year. Fortunately the year's profits were not affected by the E.P.T., but they had made provision to the extent of £1,000 to cover National Defence Contribution.

Their forward sales for 1941 were 212,800 lbs. at a price equivalent to 11.72d. per lb. landed London for delivery during the first half of the year.

The board recommended a dividend of 15 per cent., and he felt sure that shareholders would consider that to be fair and wise. After the placing of £9,000 to taxation reserve the carry-forward was £6,181. The liquid position was sound, and they might look forward to the future with confidence. The manager and his staff had met all difficulties with fortitude and success.

The report was unanimously adopted.

SUN LIFE ASSURANCE SOCIETY

ASSURANCE FUNDS EXCEED £48,000,000

The general meeting of the Sun Life Assurance Society was held on the 22nd instant in London.

The Hon. Sir William Henry Goschen, K.B.E., the chairman, in the course of his speech, said:—The accounts now submitted will enable you to judge how the society has fared during a complete year of war. The new business secured was rather more than 13,500 policies for sums assured of £7,125,000, which is about half of that for 1939. This is a considerable fall, but the society's new business is still one of the largest totals secured within Great Britain by any assurance office.

The gross rate of interest in the life assurance account was £4 8s. 6d. per cent., compared with £4 11s. 11d. per cent. in the previous year; this fall was in part due to the low rate of interest which the society has received from its investment of nearly two million pounds in the new war loan issues, a sum well in excess of the total increase in the society's funds for the year. Nevertheless, the society has been proud to make this contribution to the financial side of the war effort.

You will also be interested to know that the society has inaugurated an assurance scheme which enables the public to purchase War Bonds and Savings Bonds by instalments. The society has already on its books a large number of policyholders who have taken advantage of the scheme, and it is expected that many more members of the public will avail themselves of the opportunity thus afforded.

Our claims by death at £1,519,000 are only some £77,000 greater than those of 1939, even though they include a full year's claims due to the war amounting to about £200,000.

VALUATION OF ASSETS

Turning now to the assurance fund balance-sheet, the assurance funds have increased by £1,847,000 to just over £48,000,000. The items on the liability side are self-descriptive and call for no remarks. With regard to the assets, we have made a careful investigation of our mortgages and loans, and we have valued our Stock Exchange securities at market prices. The result shows that the value of our assets is in the aggregate in excess of that stated in the balance-sheet.

In the present period of special anxiety to property owners, we are comparatively fortunate in that for several years past we have made no new investments by way of purchases or mortgages of blocks of flats or large properties generally.

When referring to our Assets in 1938 and 1939, I stated that their aggregate value exceeded the values at which they appeared in the balance-sheet by a considerable margin, and in 1940 I said that this margin had sufficed to cover the depreciation of the previous three years without drawing upon revenue. It is a matter for satisfaction that this statement still holds good as at December 31, 1940. For many years we have confined our new investments to the British Empire and have avoided foreign investments of all kinds. An analysis of our securities shows that only 3½ per cent. of our total assets is represented by investments outside the British Empire, and of these about two-thirds consist of Argentine Government and U.S.A. securities.

Before concluding my remarks I should like to refer to the staff. It will interest you to know that the call to the Services has taken nearly 40 per cent. of our male staff, and I can testify to the willing support and efficiency with which those who are left behind have carried on.

RETIREMENT OF MR RIETCHEL

In facing the difficult problems occasioned by the war we have had the advantage of the courageous leadership, as general manager, of Mr Rietchel, but now the moment has arrived when he has decided to relinquish his position, and I take this opportunity of offering him our gratitude for the unremitting zeal which he has devoted to the affairs of the society.

I have still to welcome his successor, Mr Edwards, a man well tried in the services of the society, and one who will, I feel sure at this time of his succeeding to its highest office, receive the full support of the staff.

The report was adopted.

GENERAL ACCIDENT FIRE AND LIFE ASSURANCE CORPORATION, LIMITED

EXCEPTIONALLY GOOD FIGURES

The fifty-fifth annual general meeting of the General Accident Fire and Life Assurance Corporation, Limited, will be held on the 30th instant at Perth.

The following is a summary of the statement issued with the report and accounts by the chairman, Sir Francis Norie-Miller, Bt., J.P.

The year through which they had passed had required constant thought and attention by the board and executive, and it was a matter of congratulation that they were able to submit such satisfactory results. The premium income was less by 7.24 per cent. At the beginning of the year he would not have allowed himself to forecast such a satisfactory figure, especially as they had had no business from Denmark, Holland, Norway, France, Belgium or Belgian Congo, where their total income was formerly £372,000.

DEPARTMENTAL FIGURES

The new business in the life department was very much reduced, as not only were nearly all their inspectors with the Forces, but the men who would have insured their lives were also absent. He anticipated, however, that their organisation would regain their accustomed figures immediately they rejoiced in a victorious peace. The premium income of the fire department showed an increase of £13,000, which was extremely satisfactory, but what was more satisfactory was the fact that they had the very substantial sum of £142,377 to transfer to profit and loss account. The casualty department showed a very substantial fall of about £900,000, due largely to the reduction in motor-car premiums. The claims ratio had decreased by 2.20 per cent. and had enabled them to carry £522,528 to profit and loss account. The marine department showed an improvement over previous years, and he thought that they had now got that department on a satisfactory basis that would result in good profits in the future. The total income was £408,110, but of that £174,000 consisted of risks which had now almost entirely expired, and they had the sum of £303,839 to carry forward against an income of £234,000.

On reading the profit and loss account, he was sure shareholders would share the great satisfaction that the board and executive felt on being able to put before them such exceptionally good figures. During the whole year they were in a state of war, with the difficulties and dangers attached to it, and yet they were able to lay before shareholders most satisfactory figures and to pay the same dividend as formerly, while their special reserves for liabilities were very full in every respect.

STRONG RESERVE POSITION

They had in addition a general reserve fund of £2,000,000. Their carry-forward, after paying the dividend, would amount to £888,758. That they looked upon as an equalisation of dividend account, and it would thus pay four years' dividend of the amount they were now paying. Moreover, their reserve for depreciation of investments and adjustment of exchange was largely in excess of their requirements. Notwithstanding all the difficulties, it was a source of extreme satisfaction to the board to report that the expense ratio was 39.34 per cent. as compared with 38.32 per cent. in the previous year, only 1 per cent. more, notwithstanding the fact that they had paid the staff who were fighting, to make up their salaries to what they were previously. The profit was 7.72 per cent., a record which he hoped, with the same careful underwriting and watching of expense, would continue. For the first four months of the current year's working their figures were equally satisfactory.

Their report and statement of accounts evidenced the wonderful soundness of the foundations of their business. They had overcome great difficulties and would continue to do so. They would also continue to progress because in the members of executive, the branch managers, the heads of departments, and, in fact, every official of the company, they had as loyal a body of men as it was possible to obtain, and they were deeply indebted to them all for the work which they had done, especially during the past year. They reported with deep sorrow that during the year Lord Farrar passed away.

AGRICULTURAL MORTGAGE CORPORATION, LIMITED

IMPROVED FARMING CONDITIONS

SIR HARRY GOSCHEN'S SPEECH

The twelfth ordinary general meeting of the Agricultural Mortgage Corporation, Limited, was held, on the 23rd instant, at Stone House, Bishopsgate, London, E.C., Sir Harry Goschen, Bt., K.B.E. (the chairman), presiding.

The following is a summary of the chairman's address, which was taken as read:—

During the past year they had completed further long-term advances of £315,315, bringing the total of loans granted up to £13,614,225, secured on first mortgage of 922,283 acres of agricultural land, together with the necessary farmhouses and buildings, valued in all at £21,347,729. In addition loans of a further £167,410 had been approved by the directors. The total of loans granted under the Improvement of Land Acts had increased to £128,183.

Improved farming conditions were reflected in a considerable reduction in the arrears of interest and capital repayments, and it was satisfactory to note that 92 per cent. of the amount which fell due was actually paid within seven days of the close of the financial year.

"FARMERS WILL NOT FAIL"

The most notable feature of the past year had been the great expansion of arable farming. The campaign for increased food production placed a heavy burden on War Agricultural Executives, but the first two million additional arable acres had been secured and, with few exceptions, all the newly ploughed fields carried a crop for the harvest of 1940.

The first wartime harvest was gathered in good condition, except in the North, where the weather was not altogether kind. Considerably more wheat was grown and the yield was satisfactory. Oats and barley were grown on the larger part of the extra land cropped and an additional one million tons of grain was produced. Root crops and potatoes generally did well in spite of the dry summer. The sugar beet crop was a good one, and records both for tonnage and sugar content were reported in many districts. The 1941 beet contracts gave an additional rise in the price to growers. The 1940 potato crop was the heaviest ever lifted, and a still further increase in production was arranged for 1941. Purchase of the crop was now guaranteed, and this should give growers full confidence.

Prices of live stock had fluctuated considerably during the period under review, but, generally speaking, values had been on a higher level than for some time past.

KEENER DEMAND FOR HOLDINGS

The improved outlook in farming had been reflected in a keener demand for all types of holdings in good condition, and the corporation had made satisfactory sales of a number of properties which had been on its hands for some time.

Their total of cash and free investments was now in excess of £2,397,000, and it seemed unlikely that under present conditions they would have the opportunity to place more than a small proportion of this amount in new loans to farmers. The profit and loss account again indicated a contraction in revenue, due partly to the reduction in the total of loans outstanding and, in some measure, to the gradually increasing proportion of loans running at the lower rates of interest. They had, however, had to ask the Minister of Agriculture for a grant of only £10,000 under the provisions of the Agricultural Development Act, 1939, to enable them to meet the deficiency on the year.

After bringing in that £10,000, making provision for all bad and doubtful debts and for contributions under the War Damage Act, 1941, in addition to setting aside a sum sufficient to cover all interest payments due from borrowers up to December 31, 1940, and not paid by the end of the company's financial year, the amount available on profit and loss account was £9,165. Of that amount £2,664 had been transferred to special reserve and £8,333 written off discount on issue of debenture stock, leaving a balance of £3,168, which the directors proposed to carry forward.

The report was adopted.

ARMY AND NAVY STORES, LIMITED

PROFIT WELL MAINTAINED

The annual general meeting of this company was held on the 23rd instant, in London.

Brig.-General Sir Frederick Gascoigne, K.C.V.O., C.M.G., D.S.O. (chairman and managing director), in the course of his address, said:—In regard to the past year you will have observed that we are in a position to recommend the payment of a dividend of 7½ per cent. (or 9d. per share). It is hardly necessary for me to say that there has been a considerable drop in the volume of sales. You have all been enjoined not to spend your money on anything you can possibly do without, but to lend it to the Government; and our experience is that you have obeyed at any rate the first of these injunctions. I hope you have obeyed the other one as well. Rationing, too, has of course reduced our turnover. Winning the war and retail trade prosperity do not go hand in hand. Of the two alternatives we know which we all want, and that quickly.

While I am on the subject of turnover I would like to direct your attention to the balance from trading account. This amounts to £508,641, or a drop on last year of £61,572, which is, of course, accounted for almost entirely by the falling off in sales. To this reduction must be added a fall of £2,633 in miscellaneous revenue and £9,556 in less interest from our investment account. To enable you to get a quick and accurate idea of what has been achieved to offset this reduction, the net result, or profit, viz., £84,739, is only £20,166 down on last year.

LIMITATION OF SUPPLIES ACT

Many of our problems have been the outcome of the Limitation of Supplies Act. The Government, in their undoubted wisdom, decided that only a certain percentage of some of the more or less unessential goods be manufactured, so that the people employed on and the materials employed in the manufacture of those goods could be diverted to the war effort. Such goods

(Continued from page 566)

a reduction in producers' stocks, which amounted to only 142,800 short tons at the end of last year, against 316,500 tons immediately before the outbreak of war. In recent months the speeding up of production has raised America's copper requirements still further and at present it seems likely that this year's consumption may be as high as 1,500,000 short tons. In the first quarter of this year domestic deliveries in America reached 366,900 short tons, against 219,000 tons in the corresponding period of 1940, and as her production of refined copper was only 282,300 short tons, stocks in the hands of the country's producers declined to 89,900 tons at the end of March. As America's production from domestic ore is nearing its peak, she is increasingly forced to supplement supplies from foreign sources. Her imports of foreign refined copper advanced from 16,300 short tons in 1939 to 67,500 tons in 1940. Her refinery production from foreign ore increased from 304,600 short tons to 368,000 tons, while her total exports of copper declined from 396,400 to 382,500 short tons. Since the beginning of this year imports of both foreign metal and ore have much increased, while exports to foreign countries have seriously declined following the introduction of a licensing system in February. The bulk of the import comes from Chile, where the United States Metal Reserve Company has so far bought 235,000 tons of refined copper, a tonnage which will be further increased in the immediate future, so that America will probably absorb the whole of the Latin American copper surplus before the end of the summer. The British Government has agreed to acquire the whole of the copper surplus of the Belgian Congo, and as it had already taken a lien on the British Empire's output, comparatively little surplus copper is at present available on the international market. The tonnages available to Great Britain and the United States after the completion of the planned purchases will be more than adequate for all essential purposes. Meanwhile the approaching solution of the copper surplus problem has not led to any change in prices. In this country the price remains at £62 per ton, delivered, while in the United States the 12 cents per lb. level established last September, remains in force.

are, in consequence, in short supply, and it has not always been possible to meet our customers' demands for them. Some have had to go short, or possibly without altogether, but so far as possible we have looked after our old customers first, bearing in mind their probable requirements and making provision for them.

Stock in trade stands at £653,847. I told you last year that we were doing everything possible to accumulate as much stock in everyday demand as we could. The result is that our general stock still stands high, which—in these days when the Limitation of Supplies Act restricts our replenishment of stocks—is a satisfactory position. We would have had no difficulty in selling a large proportion of these goods very rapidly if we did not put some restrictions on the amounts we are prepared to supply to individual purchasers, and thus safeguard—so far as possible in these cases also—the interests of our old and faithful customers—not indeed always to the extent they ask, for that is not possible, but so far as is practicable while the stocks last.

Cash in hand and at bank at £89,097 is £18,498 up, while investments at £423,563 are down by £226,307. With regard to the allocation of the profits, which amount to £196,584 after adding £111,844 brought forward, after the payment of the dividend of 7½ per cent., it is proposed to carry forward £103,084.

ASSISTANCE FROM INDIAN BRANCHES

I am glad to be able to report that, like this island of ours, we have received great assistance during the past year from our connections overseas, to wit our Indian branches. It is true they have had great opportunities for trade out there, and they have taken full advantage of it. They have been able to obtain from one part of the Empire or another, or from America, most of the supplies they require.

Government contracts have been received, and no doubt difficulties of travel have caused many people to stay out there who would otherwise have come home, and this has tended to increase trade. India has made a fine contribution during the year under review and helped to conserve our position.

The report was unanimously adopted.

Fall in U.S. Oil Exports

Exports of petroleum and petroleum products from the United States—the world's principal producer—fell from 180,009,000 barrels in 1939 to 116,268,000 barrels last year, a decline of 85 per cent. Though oil is one of the sinews of war, the demand for the American product was limited last year by the lightning character of hostilities, the operation of the British blockade and the imposition of severe restrictions upon European consumers. With three exceptions, the principal customers all took less than in 1939, nothing at all being sent to France or Italy in the second half-year:—

U.S. OIL EXPORTS				
Thousand Barrels				
	1939	1940	1939	1940
Canada	32,861	34,172	Cuba	2,121
Japan	27,805	22,747	Australia	1,540
United Kingdom	18,640	11,540	Brazil	2,364
France	18,312	6,775	China	1,160
Dutch West Indies	10,463	2,959	U.S.S.R.	884
Italy	7,355	2,129		
			Total*	180,009
				116,268

* Including other countries.

The marked increase in exports to Canada, mostly of crude oil, is attributable to increased industrial activity in the Dominion, while sales of refined products to Australia rose for a similar reason. Shipments to Japan included 527,450 barrels of aviation spirit and 2,624,340 barrels of ordinary petrol (against 547,340 and only 650,380 barrels, respectively, in 1939), besides large quantities of crude and heavy oils. The reduction in the total reflects larger purchases elsewhere—notably the Dutch East Indies and Mexico. Britain bought less oil in the United States, mainly to conserve dollars for other uses, while the heavy drop in consignments of material for further treatment in the Dutch West Indian refineries followed the loss by that colony of many of its European outlets. In view of the fears expressed in some quarters that the blockade of Germany is being circumvented by shipments via Vladivostok, it is satisfactory to note that only small quantities of American oil (mostly petrol—a product in which Germany is relatively well placed) were sent last year to the U.S.S.R. The total was equivalent to less than 150,000 tons.

(Continued on page 576)

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended April 19, 1941, total ordinary revenue was £10,830,000, against ordinary expenditure of £71,922,000, and issues to sinking funds of £35,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £164,650,000 against £83,226,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1 to April 20, 1940	April 1 to April 19, 1941	Week ended April 20, 1940	Week ended April 19, 1941
ORDINARY REVENUE				
Income Tax.....	13,017	27,235	1,775	6,587
Sur-tax.....	2,770	3,220	580	530
Estate, etc., Duties.....	4,230	5,030	1,520	1,743
Stamps.....	270	737	150	181
N.D.C.....	90	10,062	20	2,020
E.P.T.....	40	10	10	10
Other Inland Revenue				
Total Inland Revenue	21,387	46,394	4,055	11,671
Customs.....	14,467	20,348	4,739	6,724
Excise.....	10,500	4,694	8,710	894
Total Customs and Excise.....	24,967	25,042	13,449	7,618
Motor Duties.....	3,450	2,635	...	...
SELF-BALANCING				
P.O. (Net Receipts).....	1,050	1,050	850	550
Crown Lands.....	...	...	...	...
Receipts from Sundry Loans.....	48	49	...	...
Miscellaneous Receipts	719	395	423	...
Total ord. Revenue	51,621	75,565	18,777	19,839
Post Office and Broadcasting	3,200	3,250	900	900
Total	54,821	78,815	19,677	20,739

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1 to April 20, 1940	April 1 to April 19, 1941	Week ended April 20, 1940	Week ended April 19, 1941
ORDINARY EXPENDITURE				
Int. & Man. of National Debt.....	23,740	27,937	5,170	9,678
Payments to N. Ireland and Other Cons. Fund Serv.	278	277	...	244
Total	24,018	28,214	5,170	9,922
Supply Services.....	110,500	211,700	42,000	62,000
Total Ord. Expenditure	134,518	239,914	47,170	71,922
Sinking Funds.....	329	301	70	35
Total	134,847	240,215	47,240	71,957
SELF-BALANCING				
Post Office and Broadcasting	3,200	3,250	900	900
Total	138,047	243,465	48,140	72,857

After increasing Exchequer balances by £2,558 to £2,533,777, the other operations for the week (no longer shown separately) raised the gross National Debt by £52,321,001 to about £11,560 millions (after deducting £17,043,000 issued to sinking funds in 1940-41, but excluding issues to sinking funds in 1941-42).				
---	--	--	--	--

OTHER ISSUES (NET)

(£ thousands)	
P.O. and Telegraph.....	200

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1941, to April 19, 1941, are:—

(£ thousands)	
Ordinary Exp.	239,014
Misc. issues (net)	1,298
Ord. Revenue	75,565
Gross. bor. 165,856	92
Less—	
Sinking fds.	301
Net borrowing	165,555
241,212	241,212

FLOATING DEBT

(£ millions)	
Date	Treasury Bills
	Tender
	Tap
	Public
	Bank
	Deposits
	by Banks
	Total Floating Debt
1940	
April 20	686.0
Jan. 18	845.0
Jan. 25	845.0
Feb. 1	845.0
Feb. 8	845.0
Feb. 15	845.0
Feb. 22	845.0
Mar. 1	845.0
Mar. 8	845.0
Mar. 15	845.0
Mar. 22	845.0
April 5	845.0
April 12	850.0
April 19	855.0

TREASURY BILLS

(£ millions)	
Date of Tender	Amount
	Offered for
	Applied
	Allotted
	Average Rate
	Per Cent. Allotted
	Min. Rate
1940	
April 19	50.0
Jan. 10	65.0
Jan. 17	65.0
Jan. 24	65.0
Jan. 31	65.0
Feb. 7	65.0
Feb. 14	65.0
Feb. 21	65.0
Feb. 28	65.0
Mar. 7	65.0
Mar. 14	65.0
Mar. 21	65.0
Mar. 28	65.0
Apr. 4	70.0
Apr. 11	70.0
Apr. 18	75.0

On April 18th applications at £99 14s. 11d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 30 per cent. of the amount applied for, and applications at higher prices in full. £75 millions of Treasury bills are being offered on April 25th. For the week ending April 26th the banks will be asked for Treasury deposits to the maximum amount of £40 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

(£ thousands)	
Week ended	N.S.C.
	3% Def. Bonds
	2½% Bonds
	New
	3% Sav. Bonds
Mar. 11	4,518
Mar. 18	4,180
Mar. 25	5,065
Apr. 1	4,918
Apr. 8	4,405
Apr. 15	2,567
Apr. 22	...
Totals to date	203,488*

* 73 weeks. † 44 weeks. ‡ 16 weeks
Interest free loans received by the Treasury up to April 22nd amounted to a total value of £31,334,509. Up to March 31st, principal of Savings Certificates to the amount of £31,672,000 had been repaid.

BANK OF ENGLAND RETURNS

APRIL 23, 1941

(£ thousands)	
Notes Issued:	£
In Circulation	622,450,222
In Bank Department	7,791,353
Govt. Debt	11,015,100
Other Govt. Securities	616,064,812
Other Secs.	2,912,550
Silver Coin	7,538
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

(£ thousands)	
Props. Capital	14,553,000
Rest.	3,132,785
Public Deps.*	16,125,328
Govt. Secs.	132,172,588
Other Secs.	35,238,368
Discounts & Advances	19,071,794
Securities	57,310,156
Other Accts.	52,207,159
Notes & Silver Coin	1,266,084
198,540,431	198,540,431

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

THE WEEK'S CHANGES

(£ thousands)	
Both Departments	Compared with
	Apr. 23, 1941
	Last Week
	Last Year
COMBINED LIABILITIES	
Note circulation	622,450 + 247 + 85,304
Deposits: Public	16,125 + 1,254 + 24,578
Bankers	112,522 - 2,624 + 9,075
Others	52,207 - 1,204 + 11,066
Total outside liabilities	803,304 - 2,327 + 81,447
Capital and rest.	17,886 + 15
COMBINED ASSETS	
Govt. debt & securities	759,253 + 487 + 52,185
Discounts and advances	38,238 - 2,546 + 33,378
Other securities	21,984 + 646 - 502
Silver coin in issue dept.	8 + 2 - 292
Coin and gold bullion	1,508 + 75 + 292
RESERVES	
Res. of notes and coin in banking department	9,057 - 173 - 35,013
"Proportion" (reserves to outside liabilities in banking dept.)	5.0% ... -18.6%

COMPARATIVE ANALYSIS

(£ millions)	
1940	1941
Apr. 24	Apr. 9
Apr. 16	Apr. 23
Issue Dept.:	
Notes in circulation	537.1
Notes in banking department	618.7
Government debt and securities	622.2
Other securities	622.5
Silver coin	7.8
Gold, valued at s. per fine oz.	168.00
Deposits:	
Public	40.7
Bankers	103.4
Others	40.6
Total	184.7
Banking Dept. Secs.:	
Government	130.6
Discounts, etc.	4.9
Other	22.8
Total	158.3
Banking dept. res.	44.1
"Proportion"	23.8

* Government debt in £11,015,100; capital, £14,553,000. † Fiduciary issue raised from £11,015,100 to £13,000,000 on June 11, 1940.

OVERSEAS BANK RETURNS

NOTE.—the latest returns of the Bank of Finland appeared in "The Economist" of Dec. 9th, 1939; Norway of Apr. 13th, 1940; Denmark, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Switzerland, of June 15th; Java, of Oct. 26th; Latvia, of Oct. 5th; Estonia, of Nov. 30th; Roumania, of Feb. 8th; Egypt, of Feb. 15th; Roumania, of Feb. 22nd; Hungary, Portugal, and Turkey, of March 8th; Bulgaria, of Mar. 15th; Greece, of Mar. 22nd; Sweden, of Apr. 5th; Canada and South Africa of Apr. 12th; U.S. Federal Reserve Member Banks, Australia and New Zealand of April 19th.

BANK OF JAPAN

Million yen	
	Feb. 17, 1940
	Feb. 1, 1941
	Feb. 8, 1941
	Feb. 15, 1941
ASSETS	
Gold & Bullion: Gold	501.3
Other	41.7
Foreign exch. fund	300.0
Discounts & advances	644.6
Government bonds	2,559.7
Agencies' accounts	259.1
LIABILITIES	
Notes issued	2895.5
Deposits: Government	775.3
Other	94.1

NATIONAL BANK OF JUGOSLAVIA

Million dinar	
	Jan. 31, 1940
	Dec. 31, 1940
	Jan. 15, 1941
	Jan. 31, 1941
ASSETS	
Gold	2,010
Other foreign exch.	772
Discounts and advances	1,955
Govt. adv. and credits	3,073
Def. bonds discounted	1,316
LIABILITIES	
Notes in circulation	9,797
Sight liabilities	2,120

U.S. FEDERAL RESERVE BANKS

Million \$'s	
	Apr. 17, 1940
	Apr. 10, 1941
	Apr. 17, 1941
	Apr. 17, 1941
12 U.S.F.R. BANKS	
RESOURCES	
Gold Certifs. on hand and due from Treas.	16,289
Total reserves	16,686
Total cash reserves	388
Total U.S. Govt. secs.	2,467
Total bills and secs.	2,479
Total resources	20,048
LIABILITIES	
F.R. notes in circn.	4,931
Excess mr. bank res.	6,050
Mr. banks res. dep.	12,757
Govt. deposits	513
Total deposits	14,032
Total liabilities	20,048
Reserve ratio	88.0%
BANKS AND TREASURY:	
RESOURCES	
Monetary gold stock	18,631
Treas. and bk. currency	2,992
LIABILITIES	
Money in circulation	7,536
Treas. cash and dep.	2,826

PRAGUE NATIONAL BANK

Million Crowns	
	Mar. 15, 1940
	Feb. 28, 1941
	Mar. 7, 1941
	Mar. 15, 1941
ASSETS	
Gold	1,602
Foreign exchange	1,465
Other cash	778
Bills and securities	2,399
Advances	548
Other assets	4,924
LIABILITIES	
Note circulation	5,461
Cash certificates	1,295
Cash deposits	1,659
Clearing deposits	1,575
Other liabilities	1,486

RESERVE BANK OF INDIA

Million rupees	
	Apr. 12, 1940
	Mar. 28, 1941
	Apr. 4, 1941
	Apr. 11, 1941
ASSETS	
Gold coin and bullion	444
Rupee coin	546
Balances abroad	251
Sterling securities	1,165
Indian Gov. rupee secs.	384
Investments	65
LIABILITIES	
Notes in circn.: India	2,290
Burma	136
Deposits: Govts.	146
Banks	176
Reserve ratio	63.4%

CENTRAL BANK OF ARGENTINA

Million paper pesos	
	Feb. 15, 1940
	Jan. 15, 1941
	Jan. 31, 1941
	Jan. 15, 1941
ASSETS	
Gold at home	1,224
Other gold & for exch.	168
Non-int. Govt. bonds	119
Treasury bonds	396
LIABILITIES	
Notes in circulation	1,159
Deposits: Government	172
Banks	455
Certs. of participation	115
Reserve ratio	77.7%

MONEY MARKET STATISTICS

EXCHANGE RATES
The following rates fixed by the Bank of England remained unchanged between April 17th and 23rd. (Figures in brackets are par of exchange.)
United States, \$ (4.86) 4-02½-03½; mail transfers 4-02½-03½. Canada \$ (4.86) 4-43-47; mail transfers 4-43-47. Switzerland, Francs (25.22) 17-30-40. Sweden, Krona (18.159) 16-85-95. Argentina, Pesos (11.45) 16-95½-17-13; mail transfers 16-95½-17-15. Dutch East Indies, Florin (12.11) 7-58-82; mail transfers 7-58-84. Dutch West Indies, Florin 7-58-82; mail transfers 7-58-84. Portugal, Escudos (110) 99-80-100-20. Panama, \$ (4.02-04) mail transfers 4-02-04. Manila, Peso 8-09-12; mail transfers 8-09-13.

Rates Fixed for Payment at Bank of England for Clearing Offices
Spain, Peseta (25.22) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey, Lira (1.10) 5-20.

Market Rates
The following rates remained unchanged between April 17th and 23rd:—
Greece, Drachma (375) 515 sellers. Finland, Mark (193.23) 180-210. Egypt, Piastres (974) 974½. India, Rupee (18d. per rupee) 17½-18½. Hongkong, \$ (14½-15d. per \$) Japan, Yen (24.58d. per yen) 13½-14½. Singapore, \$ (28d. per \$) 28½. Colombia, Peso 6 (nominal). Belgian Congo, Francs 170½-1. Shanghai, \$ (Apr. 21-22) 8-34d. per \$; (Apr. 22-23) 2½-3½d.

SPECIAL ACCOUNTS are in force for the following countries and no rate of exchange is accordingly quoted in London: Turkey, Brazil, Chile, Uruguay and Peru.

Forward Rates
Forward rates for one month have remained unchanged as follows:—United States, 2 cent pm-par. Canada, 1 cent pm-par. Switzerland, 3 cents pm-par. Sweden, 3 ore pm-par. Dutch East Indies, 1½ cents pm-par.

MONEY RATES, LONDON
The following rates remained unchanged between April 17th and 23rd:—
Bank rate, 2% (changed from 3% October 26th, 1939). Discount rates: Bank Bills, 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%. Treasury Bills: 2 months, 1-1½%; 3 months, 1½%. Day-to-day money, 1-1½%. Short loans, 1-1½%. Bank deposit rates, 1%. Discount deposit at call, 1%; at notice 1%.

SHORTER COMMENTS

(Continued from page 565)
Australia (Commonwealth of) 3 per cent Loan 1939-41.—Offer to renew the £13,469,891 3 per cent Loan 1939-41 until October 1st, 1944 at same rate of interest. Holders have until May 16th to accept and will receive 10s. per cent in cash on renewal being equal to an issue price of 99½ per cent for the new stock. The Commonwealth Government have option to redeem renewed stock or debentures in London at par after October 1st, 1943, at 3 months' notice. No cash subscriptions are invited.

GOLD AND SILVER
The Bank of England's official buying price for gold remained at 168s. 6d. 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
Apr. 17 23½ Apr. 22 23½
" 18 23½ " 23 23½
" 21 23½ " 24 23½

PROVINCIAL BANK CLEARINGS

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													
Flower & Sons	Dec. 31	223,750	9,556	84,109	148,678	5,175	46,575	18	30,000	+ 2,359	185,787	85,043	16
Financial, Land, etc. Ever Ready Trust	Mar. 31	31,408	...	28,293	33,918	...	27,000	9	...	+ 1,293	31,637	28,470	9
Gas													
Primitiva Gas	Dec. 31	539,186	110,000	61,267	137,628	...	52,491	11	10,000	- 1,224	533,745	61,442	11
Hotels, Restaurants, etc. Rowton Houses	Dec. 31	116,414	...	5,455	15,684	4,415	4,076	4	...	- 3,636	132,387	14,621	4
Iron, Coal and Steel	Dec. 31	221,775	70,782	29,528	46,884	5,000	25,353	3	...	- 825	185,372	48,172	5
Vulcan Foundry	Dec. 31	41,075	10,000	10,272	21,627	1,700	6,718	10	...	+ 1,854	38,519	11,364	10
Wharfedale Silkstone Coll. Motor Cycle & Aviation S.S. Cars	July 31	341	12,139	Dr.22,660	Dr.11,278	3,250	...	...	...	- 25,910	60,461	16,223	NH
Rubber													
Kuala Kangsar	Oct. 31	44,298	...	17,630	23,100	...	17,500	10	...	+ 130	21,445	13,580	5
Sungei Choh	Dec. 31	22,150	1,000	9,989	11,146	...	10,000	5	...	- 11	12,433	7,885	NH
Takau (F.M.S.)	Oct. 31	6,503	...	1,652	2,335	...	1,558	4	...	+ 94	3,457	1,082	NH
Shops and Stores													
Army & Navy Stores	Jan. 25	527,784	11,665	52,739	164,584	...	61,500	7	...	- 8,761	601,545	81,815	10
Baker (Charles) & Co.	Jan. 31	687	2,415	Dr.2,223	Dr.78,581	...	...	...	...	- 2,228	Dr.1,239	Dr.4,211	10
Jay's, Ltd.	Jan. 31	Dr.25,195	...	Dr.25,195	Dr.31,100	...	...	...	...	- 25,195	Dr.18,651	Dr.18,651	7
Maypole Dairy	Jan. 4	321,431	...	203,531	704,888	107,500	86,333	4	10,000	- 302	372,437	267,862	12
Textiles													
Ballito Hosiery	Dec. 31	122,354	...	11,922	17,981	5,807	6,986	15	...	- 871	141,769	20,885	15
United Turkey Red	Dec. 31	23,587	...	20,587	Dr.152,922	...	...	...	...	+ 20,587	Dr.76,809	Dr.76,809	25
Trusts													
Alliance Trust	Jan. 31	648,512	...	294,824	353,848	50,651	142,101	25	100,000	+ 2,072	668,301	345,490	25
Second Scottish Northern	Mar. 15	79,734	...	29,842	56,893	9,430	15,417	11	...	+ 4,995	78,915	34,180	11
Other Companies													
Associated Automatic	Mar. 31	13,707	...	13,071	14,795	...	11,400	6	...	+ 1,671	16,807	10,486	10
Bythe (William) & Co.	Dec. 31	37,193	...	28,756	31,105	8,853	10,809	15	...	+ 94	32,129	31,754	10
British United Shoe	Dec. 31	520,413	...	507,284	686,568	23,458	469,193	17	...	+ 14,633	563,919	550,429	28
Bryant & May	Mar. 31	523,912	30,000	473,912	609,569	67,200	367,370	22	50,000	- 10,658	636,602	566,602	29
Canning (W.) & Co.	Dec. 31	63,873	7,700	52,172	90,707	...	31,125	20	20,929	+ 118	72,465	62,690	24
Craven Bros.	Dec. 31	182,620	15,000	73,012	169,359	...	42,000	14	...	+ 31,012	131,246	106,329	14
Dickinson (John)	Dec. 31	1,089,591	...	244,856	323,861	20,000	203,000	14	20,000	+ 1,856	616,313	257,852	8
Foster (M. B. & Sons)	Dec. 31	44,577	3,536	17,671	115,201	...	14,375	10	3,000	+ 296	53,784	27,675	7
Griew (L.) & Co.	Dec. 31	21,767	3,240	8,664	23,761	2,070	14,375	10	...	+ 3,374	22,094	10,184	12
Guterman (S.) & Co.	Dec. 31	29,598	684	15,376	20,241	4,125	12,500	12	2,500	+ 3,626	24,845	15,569	12
King (Geo. W.)	Dec. 31	45,957	4,682	14,348	25,774	...	...	...	...	- 11,224	14,452	6,484	12
Meashead Brick	Sept. 30	Dr.5,974	2,400	Dr.11,224	13,200	...	...	...	...	- 11,224	14,452	Dr.11,074	10
Messons, Ltd.	Jan. 31	49,046	11,248	19,438	8,663	...	100,665	10	50,000	+ 10,438	Dr.675	Dr.22,458	10
Phillips (Godfrey)	Dec. 31	254,898	...	198,107	274,272	52,500	100,665	10	50,000	+ 5,058	281,768	227,458	20
Pinechin Johnson	Dec. 31	388,347	...	181,940	302,881	26,700	85,149	8	40,000	+ 30,100	363,868	190,048	20
Tunnel Portland Cement	Dec. 31	437,323	64,712	117,611	269,440	20,700	96,734	20	...	+ 177	466,461	...	...
Totals (£000's)													
Week to April 26, 1941		No. of Cos.	6,244	368	2,769	4,521	419	1,965	340	+ 45	6,298	3,260	...
Jan. 1 to April 26, 1941		584	122,457	8,137	61,086	94,599	12,376	40,723	5,718	+ 2,269	117,189	67,995	...

† Free of Income Tax.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash. Previous year's rate is total dividend unless marked * indicating interim dividend.

Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
BANKS														
Bank of Adelaide	2 1/2	...	...	...	Bank of Montreal	2	...	...	...	Bank of New Zealand	3 1/2	...	...	...
Bank of New Zealand	3 1/2	...	...	...	English, Scot. & Austln.	3 1/2	...	...	...	National of Australasia	3 1/2	...	...	...
Legal Insurance	2 1/2	...	...	...	London Assurance	5 1/2	...	...	...	Northern Assurance	40	...	...	...
London Assurance	5 1/2	...	...	...	Northern Assurance	40	...	...	...	Royal Exchange Assce.	10	...	...	...
Northern Assurance	40	...	...	...	Yorkshire Insurance	40	...	...	...	Broken Hill Prop.	3 1/2	...	...	...
Royal Exchange Assce.	10	...	...	...	Chendriand Tin	5	...	...	...	Genl. Mining & Finance	15	...	...	...
Yorkshire Insurance	40	...	...	...	Kraunat Tin	25	...	...	...	Ooregum Gold ord.	7 1/2	...	...	...
Broken Hill Prop.	3 1/2	...	...	...	Dennis Brothers	7 1/2	...	...	...	Pahang Consolidated	10	...	...	...
Chendriand Tin	5	...	...	...	Drey Simpson	15	...	...	...	Sungei Way Dredging	15	...	...	...
Genl. Mining & Finance	15	...	...	...	Electric Supply Corp.	6 1/2	...	...	...					
Kraunat Tin	25	...	...	...										
Ooregum Gold ord.	7 1/2	...	...	...										
Pahang Consolidated	10	...	...	...										
Sungei Way Dredging	15	...	...	...										

† Free of Income Tax. (a) Total for year. (b) Year to date. (c) 17 1/2 per cent. of this was paid as an interim dividend free of income tax. The final dividend of 40 per cent. was paid less income tax. (d) The 2,500,000 new £1 shares will not receive this dividend.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks Ending	Gross Receipts for Week	Aggregate Gross Receipts
		1941	1941
B.A. and Pacific	41	Apr. 12	11,902,000
B.A. & Southern	40	5	12,788,000
B.A. Western	40	5	996,000
Canadian Pacific	15	14	3,848,000
Central Argentine	42	19	2,061,000

† Receipts in Argentine pesos.

UNIT TRUST PRICES

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

Name	Apr. 22, 1941	Name	Apr. 22, 1941	Name	Apr. 22, 1941
Second Brl. Inv.	18/6 bid	National D. Century	9/8-10/8	Key. Gold	7/10 1/2-9/4 1/2
Lim'd Inv.	12/8 bid	Scottish	10/10 1/2-12/7 1/2	Br. Ind. 4th	12/8-14/8
New British	7/7 1/2-8/7 1/2	Univ. 2nd	9/9-11/5	Elec. Ind.	10/10 1/2-11/6
Invest. Tr.	9/10-10/30	Inv. Flex.	11/10 1/2-13/7 1/2	Met. & Min.	10/10 1/2-11/6
Bk. Insur.	14/3-15/9	Inv. Gen.	8/9-10/0	Cum. Inv.	13/3-14/0
Insurance	14/3-15/9	Key. Cons.	11/10 1/2-12/10 1/2	Producers	5/6-6/6
Bank	14/3-15/9			Dom. 2nd	4/6-5/6
Scottish	10/9-11/9			Orthodox	7/3

* Free of commission and stamp duty.

BRITISH WHOLESALE PRICES

			Apr. 15, 1941	Apr. 22, 1941				Apr. 15, 1941	Apr. 22, 1941				Apr. 15, 1941	Apr. 22, 1941
CEREALS AND MEAT														
GRAIN, etc.														
Wheat	s. d.	s. d.												
No. 1, N. Mt. 496 lb. f.o.b. Mont.	32 1/2	32 0												
Eng. Gaz. av. per cwt. (e)	14 8													
Flour, per 280 lb.														
Straights, d/d London	25 6	25 6												
Barley, Eng. Gaz., av. per cwt. (e)	18 9													
Oats (e)	15 1													
Maize, La Plata, 480 lb., f.o.b.	10 6	10 6												
MEAT—Beef, per 8 lb.—														
English long sides	4 8	4 8												
Imported hinds	5 4	5 4												
Mutton, per 8 lb.—English	4 4	4 4												
Imported	4 4	4 4												
Pork, English, per 8 lb.	8 0	8 0												
BACON (per cwt.)—Wilts. cut side	125 6	125 6												
HAMS (per cwt.)—Green	131 6	131 6												
OTHER FOODS														
BUTTER (per cwt.)—All Grades	143 0	143 0												
CHEESE (per cwt.)														
Home Produced	99 2	99 2												
Imported	99 2	99 2												
COCOA (per cwt.)														
Acra, g.f.	45 0	45 0												
Granada	Nom.	Nom.												
COFFEE (per cwt.)														
Santos sup. c. & f.	Nom.	Nom.												
Costa Rica, medium to good	145 0	145 0												
Espresso (per 120)—English	185 0	185 0												
LARD (per cwt.)—Imported	64 0	64 0												
POTATOES (per cwt.)														
English, King Edward	7 0	7 0												
SUGAR (per cwt.)	9 0	9 0												
Centrifugal, 90% prpt. shipm.														
c.f.f. U.K./Cont.	7 6	7 6												
REFINED LONDON														
Granulated, 2 cwt. bags	40 6	40 6												
Granulated, 2 cwt. bags, domestic consumption	31 2	31 2												
West India Crystallised	41 6	41 6												
TOBACCO (per lb.)														
Indian stemmed and unstemmed	0 8	0 8												
Rhodesian, stemmed and unstemmed	1 0	1 0												
stemmed	2 2	2 2												
TEXTILES														
COTTON (per lb.)	d.	d.												
Raw, Mid-American	9-24	9-24												
Giza, F.G.F.	12-05	12-05												
Yarns, 32's Twist	16-81	16-81												
40's Twist	18-12	18-12												
60's Twist (Egyptian)	25-95	25-95												
Cloth, 32 in. Printers, 116 yds.	s. d.	s. d.												
16 x 16, 32's & 50's	26 3	26 3												
COTTON—continued.														
Cloth, 36 in. Shirtings, 75 yds., 19 x 19, 32's & 40's	38 0	38 0												
" 38 in. ditto, 38 yds., 19 x 16, 10 lb.	14 2	14 2												
" 39 in. ditto, 37 1/2 yds., 16 x 15, 8 1/2 lb.	13 1	13 1												
FLAX (per ton)—														
Livonian ZK	£. s.	£. s.												
Pernau HD	Nom.	Nom.												
HEMP (per ton)—Manilla, spot "J2"														
	26/0/0	26/0/0												
JUTE (per ton)—														
Dalsee 2/3, c.f.f. Dundee, Nov.-Dec. (new)	29/15/0	29/10/0												
Common 8 lb. cops. (per spindle)														
10 1/4 Hessians, per yd.	0 6	0 6												
8 1/4 Hessians, per yd.	0 4 1/2	0 4 1/2												
SISAL (per ton)—African, Apr.-June—No. 1														
	£. s.	£. s.												
	26 0	26 0												
WOOL (per lb.)—														
Lincoln wethers, washed	d.	d.												
Selected blackfaced, greasy	19 1/2	19 1/2												
Australian scrd. fleece, 70's	14	14												
Cape scrd. average snow white	37	37												
N.Z. scrd. 2nd pieces, 60-56's	24	24												
Tops														
64's warp	45	45												
56's super carded	39	39												
48's average carded	31	31												
44's prepared	29 1/2	29 1/2												
MINERALS														
COAL (per ton)—														
Welsh, best Admiralty	s. d.	s. d.												
Durham, best gas, f.o.b. Tyne	31 7	31 7												
	32 4	32 4												
	27 0 1/2	27 0 1/2												
IRON AND STEEL (per ton)—														
Pig, Cleveland No. 3, d/d	128 0	128 0												
Bars, Middlesbrough	31 2	31 2												
Steel rails, heavy	290 6	290 6												
Timber (home, i.e. 14 x 20)	20 9	29 9												
NON-FERROUS METALS (per ton)—														
Copper (c)—Electrolytic	62/0/0	62/0/0												
Tin—Standard cash	269/15/0	271/0/0												
Three months	267/10/0	267/5/0												
Lead (d)—Soft, foreign, cash	25/0/0	25/0/0												
Spelter (d)—Q. S., spot	25/15/0	25/15/0												
Aluminium, ingots and bars	110/0/0	110/0/0												
Nickel, home delivery	190/0/0	190/0/0												
Antimony, Chinese	185/0/0	185/0/0												
Wolfarm, Empire	85/0/0	85/0/0												
Platinum, refined	2/10/0	2/10/0												
Quicksilver	9/0/0	9/0/0												
	48/0/0	48/0/0												
	50/0/0	50/0/0												
	s. d.	s. d.												
	168 0	168 0												
GOLD, per fine ounce.														
SILVER (per ounce)—														
Cash	1 11 1/2	1 11 1/2												
MISCELLANEOUS														
CEMENT, best Eng. Portland, d/d site, London area, in paper bags or jute sacks 20 to ton (e).														
	s. d.	s. d.												
4-ton loads and upwards per ton	49 6	49 6												
CHEMICALS—														
Acid, Oxalic, net.....per ton	60/0/0	60/0/0												
" Tartaric, English, less 5% lb.	2 6 1/2	2 6 1/2												
Ammonia.....per ton	10/2/0	10/2/0												
Nitrate of Soda.....per ton	13/10/0	13/10/0												
Potash, Sulphate.....per ton	Nom.	Nom.												
Soda Bicarb.....per ton	11/0/0	11/0/0												
Soda Crystals.....per ton	5/0/0	5/0/0												
	5/5/0	5/5/0												
COPRA (per ton)—S.D. Straits, c.f.f.														
	12/10/0	12/10/0												
HIDES (per lb.)—														
Wet salted Australia.....40/60 lb.	s. d.	s. d.												
Illan, Queensland	0 6	0 6												
Cape, J'burg Ord.	0 7 1/2	0 7 1/2												
Dry Capes, 18/20 lb.	0 6 1/2	0 6 1/2												
English & Welsh Market Hides	0 6 1/2	0 6 1/2												
Best heavy ox and heifer	0 8 1/2	0 8 1/2												
LEATHER (per lb.)—														
Sole Bends, 8/14 lb.	2 0	2 0												
	4 0	4 0												
Shoulders	1 0	1 0												
	2 2	2 2												
Insolo Belles	0 7 1/2	0 7 1/2												
Dressing Hides	1 3	1 3												
	2 2	2 2												
	2 6	2 6												
PETROLEUM PRODUCTS (per gal.)														
Motor Spirit, England & Wales	1 9	1 9												
(b) Kerosene, Burning Oil	0 11	0 11												
Vaporising Oil	0 11 1/2	0 11 1/2												
(b) Automotive gas oil, in bulk, ex road tank wagons	1 6 1/2	1 6 1/2												
Fuel oil, in bulk, ex instal.														
Thames														
Furnace.....	0 7 1/2	0 7 1/2												
Diesel.....	0 8 1/4	0 8 1/4												
ROBIN (per ton)—American														
	25/0/0	25/0/0												
	30/0/0	30/0/0												
RUBBER (per lb.)—														
St. ribbed smoked sheet	s. d.	s. d.												
	1 2 1/2	1 2 1/2												
SHELLAC (per ton)—TN Orange														
	102/10/0	102/10/0												
TALLOW (per cwt.)—London Town														
	22 10	22 10												
VEGETABLE OILS (per ton net)—														
Linseed, raw	41/10/0	41/10/0												
Rape, crude	44/5/0	44/5/0												
Cotton-seed, crude	31/2/6	31/2/6												
Coconut, crude	28/2/6	28/2/6												
Palm	20/15/0	20/15/0												
Oil Cakes, Linseed, Indian	7/15/0	7/15/0												
Oil Seeds, Linseed—														
La Plata (new)	11/15/0	11/15/0												
Calcutta	18/11/8	18/11/8												

COMMODITY AND INDUSTRY NEWS

THE highlights of the week have been the rise of tin and rubber prices and the subsequent recession in rubber. Prices of iron and steel in the United States are to be controlled at the level of January-March, 1941. The Control of Paper (No. 32) Order, which came into operation on April 21st, imposes further restrictions on the use of paper for posters, circulars, loose inserts in publications, labels, greeting-cards, crackers and programmes. Maximum prices have been fixed for packeted and processed nut kernels. It will be possible to purchase four weeks' cheese ration at a time, within four-weekly periods from the date of rationing. Eggs are not to be reduced further in price as was previously promised, and the maximum price of category A will remain at 27s. 6d. per 120 wholesale, and 3s. per dozen retail.

Rubber and Tin Prices.—Rubberspot prices rose to the high level of 14½d. per lb. on the 16th and were maintained at that level for three days. The rise was probably due to the political news, and especially to the news of the Russo-Japanese pact. Fear of official control however, may be the reason for the recession which took place on the 21st and 22nd, when the price was 14¼d. per lb. On Wednesday the price was 14½d. Tin was in sympathy with rubber, and since the 16th the price of standard cash has been about £271. On Monday and Tuesday the price was £271-£271 10s. per ton, with the forward quotation £267-£267 5s. per ton. Wednesday's price was £270 15s.—£271 standard cash, the same price as it was a week earlier; the three months forward quotation was £266 15s.—£267, compared with £268—£268 5s. It is announced that no export licences are to be granted in May.

Cotton Trade and Prices.—The Cotton Controller announced that the prices of raw cotton will remain at the level of the March 31st closing prices until July 31st. The price of American middling is 9.24d. per lb. The Controller stated that he would endeavour to give at least one month's notice of any change in price. Trading conditions on the market during the past week have shown very little change, and the difficulties of arranging transactions have been pronounced. Some special orders have been put through to meet Government requirements, but ordinary business has been at a very low ebb. Exporters are expecting to receive their quotas under the selective export policy very shortly, but no trade expansion can take place until more is known about which weaving firms are to cease production. Some stock lots in fine fabrics and fancies have been sold for Java, the Argentine and South Africa. Operations in yarns have been confined to odd lots. Order lists of spinners and manufacturers are distinctly lighter than at the beginning of the month.

Fewer Grades of Coal.—Methods of ordering coal and other household fuels have been simplified in order to facilitate their distribution. In future household fuel will be supplied only in the following classes:—ordinary coal: best selected coal, house coal, kitchen coal; other fuel: domestic boiler fuel (including coke), anthracite stove fuel, low temperature fuel. The prices charged will be those relating to the actual grade of coal delivered. The effect of this decision of the Mines Department will be to assist merchants to secure a rapid clearance and turn-round of wagons, and the maximum economy in labour and cartage. Coal producers will apply the same principle

to orders received from the merchants. These arrangements came into operation as far as practicable this week.

"THE ECONOMIST" SENSITIVE PRICE INDEX

	Apr. 17, 1941	Apr. 15, 1941	Apr. 21, 1941	Apr. 22, 1941	Apr. 23, 1941
Crops.....	108.4	108.4	108.3	108.3	108.3
Raw materials.....	174.5	174.6	174.2	174.2	173.7
Complete Index.....	137.5	137.8	137.3	137.3	136.8

	Mar. 31, 1937*	Aug. 31, 1939	Apr. 23, 1940	Mar. 24, 1941	Apr. 23, 1941
Crops.....	147.9	92.2	113.5	109.3	108.4
Raw materials.....	207.8	122.9	162.8	173.9	174.5
Complete Index.....	175.1	106.4	135.9	137.9	137.3

* Highest level reached during 1932-37 recovery.

MERCHANT SHIPPING LOSSES THROUGH ENEMY ACTION

	Dec. 30, 1940	Feb. 2, 1941	Mar. 30, 1941	Sept. 5, 1940	Sept. 5, 1941
British:—					
Merchant ships:—					
Normal trading.....	197	266	289	1,596	1,861
Naval operations.....	...	...	...	...	...
Naval auxiliaries.....	1	1	1	1	1
Naval trawlers.....	...	...	...	...	...
Total.....	198	272	295	1,835	1,864
Allied.....	84	71	95	505	519
Neutral.....	3	3	11	789	168
Grand total.....	285	345	401	3,129	2,551

* Evacuation of B.E.F. † Formerly commercial vessels, including drifters. ‡ Revised figures.

AMERICAN WHOLESALE PRICES

	Apr. 15, 1941	Apr. 22, 1941		Apr. 15, 1941	Apr. 22, 1941
GRAINS (per bushel)—			MISCELLANEOUS (per lb.)—cont.		
Wheat, Chicago, May.....	91½	89½	Spelter, East St. Louis, spot.....	7.25	7.25
Winnipeg, May.....	75½	75½	MISCELLANEOUS (per lb.)—		
Malze, Chicago, May.....	68½	67½	Cocoa, N.Y., Acra, May.....	6.98	7.19
Oats, Chicago, May.....	39½	37½	Coffee, N.Y., cash.....		
Rye, Chicago, May.....	49½	44½	Rio, No. 7.....	6½	6½
Barley, Winnipeg, May.....	51	51½	Santos, No. 4.....	9½	9½
METALS (per lb.)—			Cotton, N.Y., Am. mid. spot.....	11.55	11.35
Copper, Connecticut.....	12.00	12.00	Cotton, Am. mid., May.....	11.33	11.15
Tin, N.Y., Straits, spot.....	52.00	52.37½	Cotton Oil, N.Y., May.....	8.33	9.10
Lead, N.Y., spot.....	5.85	5.85	Lard, Chicago, May.....	8.62½	8.75

PROFITS BY INDIVIDUAL GROUPS

QUARTER ENDED MARCH 31, 1941
(See article on page 557)

Group	No. of Cos.	Total Profits		Net Profits	
		Previous Year	Latest Year	Previous Year	Latest Year
Breweries and Distilleries.....	8	2,457,723	2,436,733	1,389,654	1,312,298
Canals and Docks.....	4	2,399,484	2,982,333	345,221	322,149
Electric Lighting and Power.....	12	6,526,439	6,777,740	3,244,382	2,956,735
Financial Land and Investm't.....	36	5,237,580	5,847,054	2,380,811	2,486,256
Gas.....	14	1,838,487	1,975,447	593,535	641,112
Hotels and Restaurants.....	3	162,716	106,786	Dr. 12,372	Dr. 27,311
Iron, Coal and Steel.....	26	6,540,371	6,564,190	3,389,006	2,807,593
Motor Cycle and Aviation.....	6	1,391,208	1,570,617	985,180	889,754
Oil.....	1	297,201	362,057	168,106	215,455
Rubber.....	28	395,884	912,981	256,393	474,118
Shipping.....	5	1,095,130	1,187,311	223,587	311,162
Stores.....	20	12,942,662	13,370,927	6,549,711	5,188,309
Tobacco.....	4	46,273	86,225	11,561	24,386
Tea.....	2	289,289	337,579	156,572	149,801
Textiles.....	29	5,821,321	7,609,998	3,386,322	3,195,097
Tramway and Omnibus.....	7	2,025,297	2,258,055	1,502,402	1,572,734
Trusts.....	65	6,214,934	6,089,437	2,856,347	2,803,793
Waterworks.....	18	1,998,983	2,007,651	771,140	708,712
Building Materials.....	11	1,289,129	1,330,034	730,042	656,551
Food, Confectionery and Drink.....	17	2,687,785	2,951,904	1,485,790	1,451,916
Electrical Equipment.....	7	4,560,760	4,894,726	2,054,586	1,972,744
Newspapers, Printing, etc.....	14	1,050,680	1,125,912	738,322	819,157
Tobacco.....	3	16,715,738	14,848,297	16,705,737	14,829,800
Warehouse and Trading.....	12	938,426	1,039,556	777,837	731,951
Other Companies.....	92	9,394,257	10,290,288	4,991,963	4,711,602
Total.....	439	94,300,714	98,954,489	55,682,007	50,628,042

TERMS OF SUBSCRIPTION TO THE ECONOMIST

12 Months 3 0 0
6 Months 1 10 0

Cheques to be made payable to The Economist Newspaper Ltd.

PUBLISHING OFFICE:

8 BOUVIERIE STREET, LONDON, E.C.4

Telephone: Central 6631

Printed in Great Britain by EYRE AND SPOTTISWOODE LIMITED, His Majesty's Printers, 98-99 Fetter Lane, London, E.C.4. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 8 Bouvierie St., Fleet St., E.C.4.—Saturday, April 26, 1941. Entered as Second Class Mail Matter at the New York, N.Y., Post Office.

THE ECONOMIST

Vol. CXL

MAY 3, 1941

No. 5097

CONTENTS

LEADING ARTICLES

Homeward Look.....	577
The Humber of Finance.....	579
The Russian Front.....	580

NOTES OF THE WEEK

Finis in Greece.....	581
Forward to Suez?.....	581
Convoys and Patrols.....	582
The Battle of Britain.....	582
New Men.....	582
Politics and Unity.....	583
More News.....	583
The "Ration" of Milk.....	583
War Zone Courts.....	584
Spain in Waiting.....	584
The Line of Least Resistance.....	584
Food Distribution.....	585
Ships for Smokers.....	585
The Waste of Petrol.....	585
The Monthoire Policy.....	585
Public School Finance.....	585
Shorter Notes.....	586

THE WORLD OVERSEAS

Strikes in the United States.....	586
Nazi Trade in the Far East.....	588

THE WORLD OVERSEAS—cont.

Canada's New Wheat Policy.....	588
New Blows Against Czechoslovakia.....	589
German Europe.....	590

THE BUSINESS WORLD

LEADING ARTICLES

The Battle of the Yuan.....	591
Electrical Equipment Shares.....	592

FINANCE AND BANKING

Fiduciary Circulation Raised.....	593
Treasury Deposits Top £500,000,000.....	593
Britain's Payments to Canada.....	594
The Thaler Returns to Abyssinia.....	594
War Damage Insurance.....	594

INVESTMENT NOTES

Prospects of Recovery.....	595
Recession in Savings.....	595

INVESTMENT NOTES—cont.

Corporation Repayments.....	596
Stock Exchange Reform.....	596

COMPANY NOTES

William Beardmore Profits.....	596
William Whiteley Scheme.....	596
West African Anxieties.....	598
Rubber Company Results.....	598
THE STOCK EXCHANGES.....	598

CAPITAL ISSUES..... 599

INDUSTRY AND TRADE

Progress of Concentration.....	599
Control of Factories.....	599
First Aid for Bombed Houses.....	600
Distribution of Consumption Goods.....	600
Shipowners Close Their Ranks.....	600
Animal Rationing.....	601
Diamond Trade Difficulties.....	601
COMMODITY AND INDUSTRY NEWS.....	601

COMPANY MEETINGS..... 602

CURRENT STATISTICS..... 606

Homeward Look

ATHENS, like Rome, is now in Nazi hands, but the glory of Greece shines in the islands and overseas, in the Aegean and in England, in North America and in the British Commonwealth; it shines wherever men are free. That was Mr. Churchill's message to the world on Sunday—the power of freedom: the fortitude of British men and women under fire, their exertions and their "most high and splendid" morale; the instinct for honour that called the slender Imperial forces to the aid of Greece; and the strength, spiritual and material, that can give the free peoples victory over the usurping regiments. The world felt better for these words of unshaken faith.

Mr Churchill blinked no facts. Above all he is a strategist. He knows that wars are not won by retreats, but he sees the whole. This is a defensive war until the decisive strength of the United States and the British Empire is fully grown, and it has two aims: to kill Germans and to hold the fort; to weaken their war economy by blockade and bombing and guerrilla forays and to defend this island. Wars are not lost by retreats which prick the swollen strength of the enemy and feed the flame of resistance. The retreat in Greece was more sudden than had been hoped. Against their heavy losses, the Germans can set their swift advance towards new targets, Iraq, Suez and Gibraltar—the bastions of the British fort and the outward-opening doors of blockaded, oil-hungry German Europe.

But every one of these bastions could fall, and the outpost of Singapore, too, without victory being achieved. There is still no safety from "the avenging justice" in Spain, Morocco, Turkey or Russia, on the Black Sea or the Caspian. Hitler has an appointment with destiny on English beaches; he "must conquer this island or cut the ocean lifeline" to win. The war-

ships and soldiers are waiting for his coming; the airfields are crowded; the guns are manned; war courts have been set up to give law in the battle areas. The defence is many months stronger than it was when the enemy failed in the first Battle of Britain; and in the Atlantic the American Navy has now taken a hand.

This is the true perspective, but the vista must not be regarded with a false good cheer. Defeats are not successes. The road to victory will be long in any event, and every loss in Africa, Asia and the Far East will drag it out and multiply the force needed to reach the final goal. The democracies have still to find a line to stand on, outside this island. Is such a line in sight in the Mediterranean? At least four-fifths of the Imperial forces have escaped safely from Greece, though without their heavy equipment; but the Germans have a three-point plan already in train for the next stage of the Battle of the Mediterranean. The tide of invasion is already washing from island to island round encircled Turkey towards Syria and Haifa; the Axis forces are on the move again in Egypt, where Sollum is now theirs; and though Madrid and Vichy have still to make their surrender, Spain and North-West Africa are awaiting their turn in the German tragedy.

The outlook is sombre, as the German soldiers and pilots stand poised in France, Italy, Sicily, the Peloponnese, Macedonia, Thrace and the islands to make their leap to the opposite shores and control of the middle sea. But there are reasons for believing, with Mr Churchill, that "we will give a good account of ourselves." At sea, there is the dominant British Navy, and Gibraltar, under Lord Gort, may be another and greater Tobruk—or Acre—in the wider battlefield. On land, there are Allied bases in West Africa from

which to strike at the Germans as they come across the north-western deserts; in Egypt, with his men and material powerfully reinforced, General Wavell can calmly await the German attack, which can only be fed by precarious sea-borne supplies; and in Palestine and Iraq defences are ready. Wherever the RAF matches the enemy in numbers, even remotely, it wins. The enemy would not attack if he did not see promise in his chances. Hitler never gambles. But there is a sea-line from Gibraltar to Suez, and a land-line from the Senegal and the Niger to the Nile and on to the Euphrates.

Hitler may break in; at places he will. At many points the line is thin. The strong points are scattered, and as yet there is no great reservoir of men, materials and aircraft to support the Allied forces. He may strike through Turkey to the Persian Gulf. He might even strike at Russia. It is true that there is no reason in the known relations, political and economic, between Germany and Russia why Hitler should turn on his cynical associate, but there may be one in grand strategy. Whatever the course of events now, the final act will be fought out in the West, and so long as Stalin broods, safe and inscrutable, on his frontiers, there is danger for Hitler in the East.

Time is against this possibility. When we say that the war will be long, we mean that it will be long if we win it. For Hitler to win, it must be short. He must clear the Mediterranean and strike down or strangle Britain before American aid tips the scales. No theory of this war in space, read from maps, is sufficient. Time is the key and the crux. The free peoples will beyond doubt be strong enough to triumph in the future, but only if they can make themselves strong enough to hold out now. The economic resources of North America and the British Empire are overwhelming, but only a tithe of them is yet in the field.

Mr Churchill spoke of America's power to produce. The United States has more wealth, more technical resources, more steel than the rest of the world put together. Only the goods of war are scarce. Mr Churchill cannot have forgotten the poster which the German invaders found on the walls of Paris, depicting the economic might of the French and British Empires and concluding that the Allies must win. He spoke of 200 million inhabitants in the United Kingdom, the United States, and the British Dominions, against 70 million Germans; but he did not speak, except as troublesome slaves, of the many millions of European captives working for the Nazi war effort or of the many millions of his 200 million freemen working for no war effort at all.

The Prime Minister was speaking to the free world which has given the people of this country its admiration. He could do no less than bow his acknowledgments, and voice the resolution of the men and women he leads. To us alone he might have been sterner; it must be said that he should have been. Many have been cruelly bombed. Many have worked at full strength through long months for the war. Many have suffered uncontrollable and uncompensated war losses. But very many more have neither suffered nor laboured yet. Mr Churchill rightly spoke of the sacrifices that have been made and the endurance that has been shown; no less, it was his plain duty to speak of the abstention and work that are still needed if defeat is to be warded off. Where we are not already besieged, we must besiege ourselves. In their standard of life and comfort, measured by the quantities of food and clothing sold, the people of this country have gone on until lately better off than in the depression a decade ago; whereas Paris in 1870 would be a better measure than London in 1932 of the sacrifices required to make possible the gigantic effort needed to win through—and win.

The conception of a defensive war is sound; it can be no other. The conception of a waiting war is as false and as perilous as it was before Dunkirk. In the battlefield, maybe, the democracies must wait and hang on. In the factories, they must sacrifice

everything to war output or be defeated; there cannot be a moment's waiting. The true test of their chances in the long battle is not the balance of strategic and tactical possibilities in the next few weeks or months; it is the speed and scale of their mobilisation of manpower and resources. That was the lesson of Norway and Dunkirk. It is the lesson of Greece, and will be the lesson of every setback that may follow. The gallantry of outnumbered soldiers with inadequate support in the air makes epic telling; but it is the tragic reflection, none the less, of the inability of great and rich nations to set aside everything else for the defence of their freedom; and the lesson will be read in North America and the Dominions as well as in Britain. Men are losing their lives and peoples their independence, because other men and women, in the warring countries as well as in fallen France, had not surrendered a sufficient part of their standard of living and way of livelihood earlier. That is brutal, oversimplified, but fact.

Nor is it their fault. In general, the community has done every task that has been asked of it. Enough has not been asked and required; it cannot be done by individual gestures; it must be planned and commanded. To this, there are two official answers, in addition to the justifiable plea that leeway was left a year ago which it has been hard to make up. One is that the process of mobilisation cannot be done on the instant by agreement; the other is that mobilisation is now at speed—figures of output are cited, of aircraft and tanks on both sides of the Atlantic. The first answer is a denial of the "high and splendid" courage and endurance that Mr Churchill praised; cliques and cliques may oppose the rigorous march of war economy, but they should be matterless. If the people cannot or will not produce, under statesmanship, dramatically more, they will not win; if, by comparison with a year ago, they are doing well, they must, and can, still do outstandingly better. The comparison, for Americans as well as for the British peoples, is not last year's production, or even last week's or last month's—it should be no boast that every month's output of aircraft is a new high record. The comparison is with the deployed power of the enemy; and the measure of the task is his success in battle.

The second answer is no more clinching. The elements of war economy have indeed been learned in the last twelve months. The limitation of supplies; the concentration of industry; the mobilisation of men and women for war work; the broader planning of the latest Budget—these spell understanding; but they still do not add up to achievement. They have not been pressed home with ruthlessness and logic. Supplies are limited, but few are cut off all together; and it is even proposed now to use ships to import tobacco. In the concentration of industry, there is haggling, compromise and delay; time limits have now been fixed; but, as a note on page 584 points out, the schemes—which are undoubtedly coming forward—are not the radical plans needed for effective and war-winning mobilisation. In the mobilisation of labour there is reluctance; it is being openly said, without any official denial, that most women and older men who register and are "in work" will not be disturbed. Even allowing for the fact that the coming year's war supplies, because of a bigger output and fewer initial expenses, will cost less, the new Budget, by comparison with Germany's war expenditure, is too small. The road is the right one; but the pace is not hot enough.

Mr Churchill might have said all this, and he needs men beside him to translate it into action. The British nation is indeed "stirred and moved as it never has been before," because the country is in danger. It can and will be saved. "Westward, look," the Prime Minister declared; and North American aid can turn the conflict. But only if the efforts and sacrifices required of the British people themselves are as big as they are ready and waiting to make.

The Humbug of Finance

IT is perhaps not always realised what a revolution in thought on the principles of war economics has been brought about in this country in the twenty months of the war. Things are now done by almost universal consent that would not have been considered possible, outside a theorist's dream, in September, 1939. If so much has been done already, in a period fully half of which was spent in playing at war, how much farther is totalitarian economics likely to go? There is obviously a long period of the grimmest struggle ahead of the country; what new financial expedients will it call forth? No foolhardy attempt will be made here to answer these very large questions. But the time has perhaps come to reconsider the fundamental principles of war finance and to attempt to discover in which direction they point for the way we have still to travel.

In war economics, money can be said to have two main functions, one negative, the other positive. Both are of secondary importance to the real physical problems of mobilising men and materials, which are the true substance of war economics. The negative function of money is to avoid impeding the solution of these physical problems; as has been remarked before in *The Economist*, the task of finance in war is to see that nothing is decided on financial grounds. In the waging of war, then, finance plays a non-combatant rôle, clearing the path for the soldier and keeping out of the way. Its second and more positive contribution is concerned not with waging the war but with distributing its effects. Anything as wasteful and destructive as war necessarily results in loss. The physical losses—death and mutilation—must necessarily be left to lie where they fall; the economic losses, however, are transferable, and every State makes some attempt to distribute them fairly. The disabled are not left to starve; the dependants of fighting men are cared for; and requisitioned property is paid for. These are the minima of compensation which even the most primitive State now tries to observe. In the more complex social organism of Great Britain, an attempt is made to go far beyond these minima in the direction of the ideal of "equality of sacrifice." "Equality" is a question-begging word. Perhaps the nearest approach to what is meant by it is that the economic burden of war should be distributed in such a way as to reduce to a minimum its social displacements. Whole classes of persons—shopkeepers, for instance—should not suddenly and arbitrarily lose their accustomed place in the scheme of things as a result of differential impoverishment; and within classes, individuals should not be singled out to suffer more than their fellows—shopkeepers in London, for example, more than shopkeepers in Oxford. Or if there are to be such displacements, they should follow some deliberate and conscious scheme and not be left to be brought about by the hazards of war. But whatever the precise meaning of "equality of sacrifice," the way to obtain it is by monetary means, by creating some sort of financial pool and by determining who is to pay into the pool and who to draw out of it.

Judged by these standards, the wartime financial system is obviously far from perfect. Let us briefly consider how far the two main requirements are being met. Are decisions of economic mobilisation being made on strictly real, physical, non-financial grounds alone? Clearly not. There are still too many cases of policies that would be desirable for their physical results being held up for reasons that are fundamentally financial. What, for example, are the difficulties that are impeding the concentration of retail trade and the consequent release of the biggest single reservoir of man-power in the country? There is no anxiety that concentration would make it impossible for goods to

be quickly or adequately distributed from wholesaler to consumer. How purely financial are the difficulties can be seen by reflecting how quickly they would disappear if it were found practicable to guarantee to every shopkeeper now in business his pre-war, or even his present, income. For finance to hold up necessary action is bad enough; but the case is worse when it leads to the positively wrong thing being done. Early in the war it was argued that the motor industry must be allowed to continue manufacturing for the home market because it was only by securing a large volume of production that it could afford to compete in the export market. Events have dealt faithfully with that contention, but there are others hardly less mischievous. How much of the fumbling and hesitation in agricultural policy is due to the fact that the avoidance of loss to the farmers has been considered as an object of policy, instead of the avoidance of starvation for the community? In how many control schemes have needless complications been introduced in order to provide a "livelihood" for middlemen who suddenly had no useful function to fulfil? The argument is not that the motor manufacturer, the farmer, the middle man ought to have been ruined. Indeed, it is exactly the contrary; the incomes of these sections of the community should have been considered as a problem entirely separate from the use of steel, the import of feeding-stuffs and the distribution of controlled commodities.

In its second aspect, that of attaining equality of sacrifice, financial policy has been even further from success. Indeed, even the effort that has been made to reach equality has varied according to the origin of the loss to be provided against. Thus when the "sacrifice" takes the very deliberate and visible form of money to be handed over to the State, a considerable effort has been made to choose equitable taxes and to avoid the indiscriminate inequity of inflation. Where the loss arises from German high explosive, the effort has been much less consistent and successful. Losses suffered by shipowners and the owners of commodity stocks are covered. Until very recently the loss suffered by the owners of bombed buildings was left to lie where Hitler dropped it. The first draft of the War Damage Bill contained a number of specific inequities; and even after their removal, the Act suffers from what might well be regarded as the fundamental defect that the "sacrifice" represented by these losses is left to be borne, in the first place, not by the whole community, but by the class of property-owners, who are no more responsible than their fellow-citizens for the fact that the country is at war. There is a third form of "sacrifice" in which even less effort at equalisation has been made. These are the losses that emerge neither from the Budget nor from German high explosive, but from the indirect effects of the war. It is in this class that the seaside landladies, the travel agencies, the shopkeepers in evacuation areas and their fellows in misfortune fall. They are no more responsible for the war than other classes of the public, but they have suffered much more from it. The State has recognised their sufferings; but all that it has done—recognised their sufferings; but all that it has done—in the Courts (Emergency Provisions) Act and in the new Liabilities (War-Time Adjustment) Bill—is to pass some part of them on to those who are unlucky enough to be the creditors of unlucky debtors.

In peacetime, real activities and monetary transactions march together. The income that is derived from a particular activity is the incentive that calls it into existence. It would be wrong to say that monetary incomes should never be interfered with, but interference with them has real results that must be taken into account. But in war the connection between real activities and monetary transactions is very largely broken. More and more of the activities of the com-

munity are undertaken without regard to the money incomes that will result, and previous paragraphs have illustrated the unfortunate consequences that follow from a survival of the money criteria of peacetime into the changed conditions of wartime. From the theoretical standpoint, there are two solutions of the dilemma. One would be to abolish money altogether in wartime; to provide every citizen with his board and lodging and assign him his duties. The other would be to keep the monetary circulation in existence but deprive it of its controlling function. Since the first solution is impossible, the second is, in effect, the only one worth considering.

The ideal financial policy for totalitarian war would therefore be to guarantee an income to every citizen, unconnected with the work he does; to call on him to do any work that is required; and completely to control what he could consume. This has been called an ideal, and it is certainly impracticable in the actual world, for a variety of reasons ranging from administrative imperfections to psychological obstacles. But if the ideal could be attained, it would have superlative advantages. The individual would not then have to suffer, in addition to the inescapable sacrifices of war, the additional bitter burden of being discriminated against by accident. It would be possible to mobilise resources, to concentrate industries, to expand some forms of activity and close down others—all without thought for the individual misfortunes that these actions at present entail. And when the war was over,

the pre-war distribution of activities and consumption could be re-created. Not only would the mobilisation of resources be facilitated; three universal wishes could be met at once: "Put us all in khaki till it's over," "We're all in the same boat," "We'll start again where we left off."

The statement of the ideal does at least serve as a pointer to practical policy. It suggests that, wherever it is possible, the state should deliberately try (as the Nazi State has tried) to maintain incomes in their pre-war relationship to each other. There are, of course, the two great provisos—that the spending of income is controlled, and that nothing is allowed to interfere with the mobilisation of resources for the war. But where those two provisos can be met and the practical difficulties can be surmounted, the bias should be towards, not against, the payment of compensation for loss either of income or of capital. To do so will, of course, "cost money." But if present consumption is controlled there is little risk of inflation during the war arising out of compensation for loss of income, while compensation for loss of capital would not normally be payable until resources become available after the war. In any case, if loss has emerged, a fair distribution of the burden will lessen rather than increase its weight. The State cannot, in wartime, evade responsibility for what happens to the community, nor can the community dissociate itself from the individuals who compose it. In a very real sense, we are all members one of another.

The Russian Front

THE problem of Russian foreign policy since the outbreak of war has been how to keep out of it. It is possible to interpret this policy of "non-involvement" in terms of a dialectical determination to see the capitalist world fight itself to extinction and, as sole survivor, to inherit the earth, but the determining factors are probably simpler. All along Russia's western frontier stands the German army. The only obstacle which has so far held the German tank is the English Channel. Russia enjoys no such immunity. Even the Urals are far away. At almost any cost, the Russians must avoid giving battle. This fundamental pre-occupation has not changed, but the fortunes of war in the West account for the vicissitudes of the policy expressing it.

In the first phase of the war, Russia fell into a false security. The Nazi-Soviet Pact, which turned the Germans west once Poland was overrun, appeared to guarantee Russia a period of tranquillity during which the Germans would try vainly to break through the Maginot Line, and the armies of the European Great Powers would exhaust themselves in indecisive combat. The Soviets went about enlarging the zone of their security—Russian-Poland, the Baltic States, Finland, Bessarabia—and profited by their immunity to recover the Czarist patrimony.

This phase closed with the collapse of France and the failure of Goering's air squadrons over Britain. It was the worst possible outcome from the Russian standpoint. The German army was once more unemployed, and the toughness of Britain's defence and the extreme hazard of invasion suggested that the Nazis would find it hard to fight to a decision in the West. Soon after, the collapse of the Italians in the Balkans and Libya created something uncomfortably like a war on two fronts. The Russians know that it is a cardinal principle of German strategy to avoid a dual commitment. The West was obstinately undefeated and gaining strength with America's intervention. The Germans might well argue that, after all, the Eastern front would be easier to liquidate. There is reason to suppose that the Soviet Government did so interpret the intentions of the German General Staff. The old

halcyon days of blockade and Maginot Line and the little peoples of Eastern Europe falling like nine-pins were over. After September, 1940, the Russians were in a very much worse situation than that of the early summer of 1939.

Three themes run through recent manifestations of Russian foreign policy. The fact that they are to some extent contradictory helps to explain the apparent inconsistencies in the Kremlin's conduct of affairs. The aim, "non-involvement," is perfectly consistent. The methods are not—no new phenomenon in Russian diplomacy. One theme is the avoidance of any action that might provoke the Germans to action. Only on one occasion since the rapid German advance into the Balkans and on to the Black Sea and the Dardanelles began, have the Russians done anything to impede Germany's invasion of their sphere of influence. Their compliance went so far that M. Molotov visited Berlin last November, after the dismemberment of Roumania, and a new trade agreement was signed in the new year when Nazi infiltration into Bulgaria had already begun.

The one action to which Germany could hardly avoid giving an unfriendly interpretation belongs to the second theme, that of encouraging other nations by their resistance to make Germany's advance eastwards as difficult as possible. On the morning of Germany's invasion of Yugoslavia and a week after the sensational change of regime, Russia signed with Yugoslavia a Five Year Pact of friendship, which was of no military significance, but was undoubtedly intended to encourage the Slav peoples in their resistance. To this category of encouraging others to fight also belongs much that has been said in recent weeks by official and semi-official Russian spokesmen, for example, the censure of Hungary's and Bulgaria's subservience to Germany or the guarantee to the Turks that in a defensive war they would have nothing to fear from Russia.

Both these policies—conciliation towards Germany, encouragement to Germany's potential victims—are clearly designed to keep Russia out of war, not to strengthen Russia's position should war become inevitable. The third trend in recent Russian diplomacy

appears to accept the likelihood of war and to take what steps are possible to strengthen the country's military and strategic position; clearly this involves contradiction with the policy of doing nothing to provoke Germany, since Germany is the enemy against whom provision must be made. Into this category falls the Pact with Japan. The pledge of neutrality given by Japan to a belligerent Russia can mean only one thing—that if Germany forces a war, Japan will not harass the Russians in the Far East. To the extent, therefore, that confidence can be placed in the consistency of Japanese diplomacy, Stalin has exorcised the spectre raised by the signing last September of the Tripartite Pact. To this category also belongs the latest move in diplomacy—the ban placed on the passage of war supplies through the Soviet Union. The ban was imposed after Germany and Japan had reached an agreement to exchange German aircraft parts for Japanese naval units and it may therefore be interpreted as Russia's move to avoid contributing to a strengthening of its two potential enemies.

It may be asked why, if the Russians are seeking to consolidate their position, they have not made some attempt to reach an understanding with those Powers which have already openly ranged themselves against their potential enemy—Britain and the United States. The reason is, of course, that the Western Powers are already doing all they can to defeat Hitler. A hand-shake from Moscow would not make them fight any harder, but it would involve Russia in war. An alliance or a *rapprochement*, or even a covert understanding, with Germany's enemy in the West would undoubtedly lead the Nazis to do what the Russians still hope they will not do, turn to the Eastern front before finishing with the West.

It is impossible to estimate how real the German threat to Russia may be. Only the German General Staff possess the data for such a calculation. There have been signs that aggressive action is intended. German divisions are undoubtedly massed along the Russian frontier; the Soviets are clearly perturbed by the recent arrival of German reinforcements in the recent arrival of German reinforcements in the Russo-Finland; and it does not appear that the Russo-German Pact put an end to the Nazis' encouragement of Ukrainian irredentism. Yet these activities may only be a phase in the war of nerves. The determining factor is whether the German generals believe it possible to crush Russian resistance and to establish German control of at least Russia-in-Europe in one short campaign. No country has so far withstood the

impact of the Panzer divisions. There was little in the Finnish war to suggest that the Red Army would give a better account of itself than the armies of France. On the other hand, the Napoleonic precedent is not encouraging. It is, of course, possible that the Germans could count, in the event of war, upon a large Fifth Column in Russia. The purges of 1936 and 1937 were drastic enough, but it is not certain on which side the purgers themselves may ultimately be found. Here again only the German secret service is in a position to calculate the probabilities.

It is often assumed without discussion that British diplomacy should endeavour at all cost to secure a *rapprochement* with Russia. Hitler fears above all, so the argument runs, a war on two fronts. It is therefore in the interests of Britain that Russia's support should be enlisted and battlefronts established in the East as in the West. This argument obviously accepts a Napoleonic outcome to a German attack on Russia. Is it so certain? If the Russians were overwhelmed in a quick campaign, and the Germans had the opportunity to integrate the grain and oil and coal and industry of Russia into their war economy, the Allied fortunes of war would have taken a decided turn for the worse. It is not self-evident that the entry of Russia into the war would serve British interests. A Russia, master in its own house and immobilising many units of the German army and air force, may well be the best that Britain can hope for in the East. Only if Germany's Blitz tactics failed and the German armies were bogged on the Russian plains would Russian participation serve the Allied purpose, and there is no guarantee that this would be the outcome.

The situation appears, therefore, to demand that British diplomacy in Russia should be comparatively passive. Russia will reject any overtures which increase the risk of war, and if they led to rapid and victorious German intervention, the Allied cause would suffer. In the one guise in which a war in the East would serve Britain—that of a long drawn-out and indecisive conflict—it is Russia and not Britain that would be in need of assistance and the overtures could be safely left to the Kremlin. Nothing in the East can deter the Allies from continuing the struggle in the West, and Russia from continuing the struggle in the East. Only if need have no fear that the war would be called off if the Nazis were to attack "the citadel of Bolshevism." In the event of a German attack, this assurance should be conveyed to the Russian Government. Beyond this, Russo-British diplomatic relations should be regarded as the problem not of London but of Moscow.

NOTES OF THE WEEK

Finis in Greece

The campaign in Greece is virtually at an end, although there are reports of three Greek and British divisions still resisting in the Peloponnese. For a full report the British people must wait until the operation is complete, but according to a preliminary estimate, 48,000 of the 60,000 Imperial troops have been safely evacuated in incredibly disadvantageous circumstances—the Germans had rendered the Piræus unusable—and miracles of improvisation and co-ordinated action must have been performed to make possible an evacuation with apparently few of the favourable conditions of Dunkirk. Athens was occupied on April 27th, and the Nazis have discovered a quisling in General Kollakoglu, who is already repeating the stale formulas of loyal collaboration, work and peace and ringing the changes on the "cowardly flight" of the British Army and the Greek King. However, his subservience has not prevented the dismemberment of Greece. The appetite of the Bulgarians is disgustingly insatiable. Not content with Yugoslav Macedonia, they now occupy Greek Thrace, Western Macedonia, Florina and Castoria. Bulgaria has little to learn even from Italy on the function of the jackal. The fighting in Greece is yet another illustration of the lesson already driven home on the battlefields of Europe. Modern war is won in the factories. Man for man, Allied forces were as

courageous and disciplined as any troops the Germans could put in the field. But they never met the enemy man to man. They met him man to machine and went down in the unequal contest. It is likely that the Greek campaign as a whole must now be seen as the first phase in a larger strategy with Suez as its next objective. One thrust of a two-pronged attack lies through Libya and Egypt, the other through Turkey, Syria and Palestine. The capture of the Greek islands of Lemnos and The capture of the Greek islands of the Dardanelles, which command the entrance to the Dardanelles, and the German reinforcements of the Italian garrisons in the Dodecanese are contributing to the encirclement of Turkey, which began with the occupation of Constanza, Varna and the Turco-Bulgarian frontier. The Germans are in a position to exercise extreme military pressure on the Turks, and there is little in their recent diplomacy to suggest that the pressure will be resisted if exercised à l'outrance.

Forward to Suez?

The new advance into Egypt has clearly been designed to synchronise with the close of the campaign in Greece. The Germans claim that when they have taken Crete they will use the island as an advance and naval base for attacks on Alexandria. Yet the lesson of Malta

and Rhodes and Castelorizo is that islands are not such easy prey, even when adequate sea power can support landing parties. The potential threat from Crete is, however, less serious than the situation which may develop in the Western desert. After a week's lull, broken only by yet another abortive attack on Tobruk, the Axis forces are again in motion and have advanced five or six miles across the Egyptian frontier to take Sollum. Here their advance has come to a halt again. The three columns are composed of Italian forces, and it is possible that they are being used as a shield for heavier German units. Their attack is delayed until a sufficient head of machines and aircraft and stores can be collected to make another drive comparable in speed to the one which brought the Germans from Benghazi to Bardia in a few days. This is no easy task. All supplies must come the long route from Tripolitania and must survive the harassing attacks of the British air force. Much has been done by troop-carrying planes, but these aircraft are excellent targets and the work of reinforcement is correspondingly costly. The loss of a whole convoy in the Mediterranean still appears to be having a hampering effect, and behind another lightning advance lies the danger of advance units cut off and of a British foray from Tobruk strong enough to disorganise the Germans' attenuated lines of supply. There is no reason to suppose that when the attack comes it will not be devastatingly heavy, yet the difficulties facing the Germans should not be underestimated. The fall of Dessie and the ending of Italian resistance in Abyssinia will free aircraft immediately, and troops and machines in a short time, for use on the vital northern front. Air squadrons certainly and possibly equipment are being brought back from Greece, and with the close of the Balkan campaign General Wavell is free to concentrate entirely upon the defence of Suez. Whatever the next weeks may bring, the fortnight's delay imposed on the German forces in Libya has already contributed to their ultimate defeat.

Convoys and Patrols

The unpleasant news from the Eastern Mediterranean has had the effect in America of calling forth impressive reaffirmations of the policy of aid to the democracies, both in general and in particular. On the wide issue of policy, Mr Cordell Hull, Colonel Knox and the President himself have all re-emphasised the point that every German advance is an additional reason for rapid American action to ensure his ultimate defeat. The isolationist propaganda is becoming ever more shrill and irresponsible—but there is no reason to doubt that the great majority of the American people are behind Mr Roosevelt. There are indications that he judges the time ripe for another of his very effective radio addresses and, in all probability, for a further step forward in policy. Whether this will take the form of naval convoys remains to be seen. The system of "neutrality patrols" has already, it appears, been extended to cover the greater part of the Atlantic Ocean and to occupy the whole of the Atlantic Fleet, and the President has made it clear that it will be further extended into the "combat zone" itself if need be. He has also asked for 2 million tons of existing American ships to be made available immediately for shipping supplies to the democracies. These ships, in their turn, will need protecting. The "neutrality patrol" can be of great assistance to the British Navy, without itself taking any offensive action. But convoys or patrols whose duty was more than observation would be still better.

Domestically, the incidence of labour troubles continues to excite the widest attention. This subject is dealt with in some detail in messages from our New York and Washington correspondents on page 586. The strike in the coal industry, after lasting long enough to have a perceptible effect on the output of munitions, has now been settled, at least provisionally, by Presidential mediation. This strike had a number of features of particular interest. In the first place, it was called by the United Mine Workers, of which Mr John L. Lewis is president. Mr Lewis's opposition to the President in last autumn's election, his close association with the CIO, and his membership of the isolationist America First Committee inevitably inject an element of politics into the dispute. Secondly, the strike raised once again the very difficult and delicate matter of the

"wage differential" which, in coal mining as in other industries, exists between the North and the South. The President's mediation persuaded the owners of the Southern mines to agree to the same wage increase as had already been conceded in the North—namely, \$1 a day. But they have not agreed to remove the differential in their favour of 40 cents a day. The question is to be argued while the men go back to work, but it may yet cause a renewal of the strike.

The Battle of Britain

Neither the four-hour bombardment of Dover on Tuesday nor the setting-up of war emergency courts has so far turned out to herald the invasion—as some of the "embattled" population of this island, almost expectantly, half believed. But the second Battle of Britain is on, a fact which critics of the weakness of General Wavell's forces, by comparison with the call-up since the war began, should remember. The front line is in the Atlantic, where non-belligerent America is now taking a stronger hand. The back areas are Plymouth and Portsmouth, where the defences against sea-raiding—and military invasion—are nourished. German bombing, which like the attacks of the RAF, has become heavier, has lately shifted somewhat from commercial to naval targets, from arriving freighters and their cargoes to their fighting protectors. Merseyside and, for the first time intensively, the North-East have, it is true, had recent visits; but for the time being Plymouth has taken over the distressful fame of Bristol. It is tempting to suppose that the latest raids are simply retaliation for the havoc done in naval Kiel; and it can hardly be doubted that the occasional smiting of London has been largely retaliatory malice. But, for the second time, the first chords of a crescendo of direct assault are being played. What is happening at sea is not known; but on land there have been more disturbing accounts of delay and muddle. Plymouth has stood its great ordeal well and with outstanding courage; but, unfortunately, like so many of its predecessors, the town entered the front rank of bombed areas unprepared for many of the consequences of violent attack—in spite of the experience of the earlier sufferers. It is not panic which sends citizens from the worst-hit areas into safer surrounding districts; but, as in the case of Southampton, it is sheer incompetence that does little or nothing for them when they wander. And it is yet another prime example of the constipated attitude of local—and central—authorities in these matters that Plymouth was not declared a evacuation area, and the children moved, long ago.

New Men

There is support in many places for the suggestion that the Cabinet should be strengthened by the inclusion of men who, though they may not be party leaders, may prove in service to be statesmen. The suggestion is being linked to the revived demand for a small War Cabinet of Ministers with no departmental responsibilities—quite logically, for the Prime Minister's refusal of this demand some months ago (a refusal which he has unreservedly repeated this week) was based, in effect, on the contention that there were not enough able men available to man such a Cabinet and supply heads for the War Departments as well. Unfortunately, there is some misunderstanding. A number of critics are calling for an Imperial War Council in which each Dominion would be "represented" by its Premier. In the event, this might prove the best body to conduct the war, but only by accident. It is because it is "representative" of the parties, in the sense that it is made up by a nice balance of the various parties' leading members, that the present Government is scarce of the broad talents which Mr Churchill needs by his side to lighten his responsibilities. One man cannot wage a war—not even Mr Churchill; and the critics, who have the utmost trust in the Prime Minister himself, remember that, in Mr Lloyd George's War Cabinet in the last war, there were several statesmen who could take their leader's place in the decision of high policy. It is not a question of representing the Imperial Governments but of enlisting the Empire's statesmen from the widest possible field of choice—of substituting an orchestra for a one-man band. This is not, of course, to ask Mr Churchill to ignore the politicians. That would be nonsensical. But there are men in the British parties with more ability and

character than their leaders, for leadership is too often the reward of long service or skilful bargaining. There are such men outside the parties; and the same may be true elsewhere. In peace and war alike, vigilance and criticism by Parliament are indispensable; but, while party has been, and will be, the life-blood of democratic politics among the freedoms and choices of peacetime, it can be a stumbling-block during war, when there can only be one political aim—to win. Renewed crisis has not weakened Mr Churchill's position. His Government still holds the confidence of Parliament and the nation; and it includes many able men. It will be given a decisive vote of confidence in the debate on Greece next week. But, in the grand strategy of the battlefield and the workshop, it needs fresh leaders to share the Prime Minister's burden.

Politics and Unity

Axis claims that relations between Britain and Australia have been strained to breaking point by the defeat in Greece are ridiculous. They spring from the usual totalitarian misinterpretation of free speech; criticism to them means disruption. The Australian people are solidly and resolutely in the war. All that has, in fact, happened is that they have been shocked by the swiftness of the reverse and the peril of their troops; they have resented the apparent disinclination of the authorities to disclose bad news; and now they are given a daily bulletin, necessarily with no details, by their Army Minister. It is foolish, however, to pretend that all is entirely well; there has been a row in Australia. But, at bottom, the trouble there has nothing to do with the present crisis, which is only an occasion to reveal the difficulties that arise when politicians cling to party lines in days of national danger. Politically, Australian government is hobbled by faction, as much, perhaps, as in Canada, where the parties still bicker and clash, not so much perhaps as in this country before Mr. Churchill, but in a similar way. Labour will not join a National Government, though it holds half the seats in the Australian Parliament. Its leaders are members of the Advisory War Council, but will accept no executive responsibilities—except in a purely Labour government. Yet they claim, or appear to claim, equal rights in the decision of war policy in strategic crises. It is not possible for an Englishman to apportion blame, if any blame is deserved, between the Australian parties; it may be that the parties in power have not done everything possible to bring in Labour. But, speaking from a country which was compelled by fire and peril to set aside its own party manoeuvring, it is possible to assert that, if it is true, as both the acting Prime Minister and the Leader of the Labour Party have said, that Australians are solidly united behind Mr. Churchill, and that every class is prepared to "give all" for the common war effort—and it is beyond all questioning true—then the best proof, and the best means to mobilise Australia's entire resources, would be to set up a National Government, and so advance the day when the Empire's leadership and statesmanship are equal to the resources, the willingness and the determination of the Imperial peoples. It is now for Australian civilians—as it is for all British civilians—to match in wisdom and exertion the immortal gallantry of Australian soldiers.

More News

There has lately been criticism throughout the Empire of the way in which information about the war is given out. But one fact should not go unnoticed; no critic has alleged that official news is false. This trust alone merits greater generosity; and last week the Prime Minister promised Parliament to press for as much news as possible from the combatant areas. Information often cannot be given about the crucial stages of remote campaigns: details may not be known; revealed, they may aid the enemy. On Sunday, Mr Churchill was blamed by nobody for not giving the "facts" about what was then going on in Greece and Egypt—though the spectacle of an Australian Minister reporting about the evacuation from Greece on successive days, while silence reigned in London, struck many people as odd. Often there is no news; but the fact is that no news, in wartime and from experience, is taken as bad news; and it is no help to the

Allied war effort for American—and Dominion—journalists to struggle in vain for news from the authorities, sometimes merely for the release of known news, in order to combat German accounts of grave events, or for friendly wireless stations to be compelled to use more of Goebbels's news to fill the gaps left by British reticence. It is part of the strategy of war itself that silence should be avoided whenever possible. But it should not be replaced by reassuring statements and encouraging comments. Mr. Churchill never errs in this way; but Departments do. The macabre memory of the French military spokesman making the best of meagre and days' old news while the Germans plunged towards Paris last summer is still too fresh for this procedure to be acceptable. Britain and the Commonwealth—and the United States—have no right to news that, for safety reasons, cannot be published; but they have every right to all news that can be published, even about the Battle of the Atlantic, and to have it plain and unvarnished.

The "Ration" of Milk

The domestic consumption of milk has been cut by a seventh, and there have already been protests. The need to curtail milk sales, in order to increase the output of cheese and in order to lay up stores of processed milk against the time later in the year when liquid supplies will dwindle, is not denied. It is the incidence of the cut as it is at present arranged that is criticised. It has been left to retailers to ration their customers, and the easiest way for them to do so, apart from haphazard discrimination, is to reduce everyone's purchases by a day's supply, regardless of the quantity, large or small, which is already being bought per head, and regardless of visitors and troops on leave. This is obviously inequitable. Lord Woolton himself has expressed his disapproval of the "milkless day." But in whatever way the cut is carried out, it means that people who used to buy large quantities of milk still have ample, while those who only bought their minimum needs go definitely short. The Ministry of Food does not believe that a specific rationing scheme would "necessarily" (whatever this may mean) improve the situation, and an "official" has gone on record as saying that consumers could well go without 50 per cent of their supplies. It is, of course, true that, in comparison with other consumers, some could. That is the point. The prime importance of milk as a food is already recognised in the Government's agricultural policy and in the provision of cheap milk for children and mothers—which is cushioning the harshness of the present position. Whether or not a rationing scheme is feasible or desirable, the fixing of some minimum quantity per head—not per family, irrespective of its size, which is the Ministry's fatuous concession—is clearly wanted.

Exports & Imports

While the war has increased the already vital need for exports and imports, it has, at the same time, necessitated the introduction of numerous regulations and restrictions which add considerably to the trader's difficulties.

The Westminster Bank maintains specialized departments where its customers may obtain expert advice and assistance in dealing with such problems as arise, and it strongly advises those who are exporting or importing to consult it as soon as their intentions are known. Information is also available regarding Documentary Credits—so necessary to the financing of war-time trade.

Further particulars may be obtained from the Manager of any branch or from

WESTMINSTER BANK
LIMITED

Foreign Branch Office: 41 Lothbury, London, E.C.2

War Zone Courts

The establishment of war zone courts in England and Wales recalls the struggle which took place last summer between Commons and Government over their Enabling Act—the second Emergency Powers (Defence) Act of 1940. Members of Parliament insisted that, at least in cases in which the death sentence was imposed, there should be a right of appeal, and that this right should be granted in the Act itself, instead of being left to chance in the regulations to be made under it. This demand was conceded; and, in fact, the regulations also included the right of appeal for cases in which a sentence of seven or more years' penal servitude has been passed, and for any other case which the president of the court thinks should be reviewed. Moreover, the appeal tribunal, which will consist of three judges, can review the conviction as well as the sentence in these cases. With these exceptions, no appeal can be made from the decision of a war zone court, which consists of a High Court judge as president and two advisory members appointed from a panel of justices of the peace. There will be no jury, but both prosecutor and defendant can be represented by counsel, and the ordinary rules of evidence will be maintained. Although the purpose of the new courts is to expedite criminal justice in a time of emergency, it is probable that they will only be used for serious cases. Thus they can direct that a person should be tried by the ordinary courts if, having regard to the nature of the offence and the military situation, they think it advisable. On the other hand, they have to consider any representations which may be made to the contrary by an officer of His Majesty's forces, and any representations he may make as to the gravity of the offence in the light of the military situation. Thus, although the courts are not, and do not resemble, courts martial, military considerations will be taken fully into account. The establishment of the courts is not, of course, a declaration that the military situation, which presumably can include the situation caused by air-raids as well as invasion, is retarding unduly the ordinary process of justice; or that invasion is at hand. It is a precautionary measure, and these courts cannot function in any area until that area has been declared a war zone by the Minister of Home Security.

* * *

Spain In Waiting

Suez may determine the fate of Gibraltar; for there are signs that in spite of the very great pressure Germany is bringing to bear upon General Franco, he is playing a waiting game. Ever since the beginning of the war, Hitler's diplomatic successes have varied in inverse proportion to Britain's defeats. The Balkan campaign has had a profoundly depressing effect, but the collapse of resistance in Greece is obviously not decisive for the fortunes of the Mediterranean war as a whole, and it is in the outcome of this struggle that Spain is passionately interested. In Spain the German press and whisper campaigns continue. After reaching a frenzy of exaggeration with rumours of General Franco's supersession by Señor Suñer, they have concentrated in the last week more on Britain's failures than on Spain's domestic politics. It is difficult to assess the balance of power inside Spain. The Caudillo is sincere in his desire to avoid war. He is reported to have rejected all possibility of military collaboration, at least until the harvests are in. Otherwise Spain faces starvation. This delay also allows time for the Suez campaign to develop before Spain is committed to any drastic step. The Army is divided. Many generals support the Caudillo in his desire for an independent course, others have listened to Germany's fantastic schemes for the restoration of an Hispanic Empire. The Falange is openly for intervention, and it is with its connivance that the Nazis have been able to build up a Gestapo network in Spain, to prepare food and petrol reserves, and to supply at least the ground staffs at a number of key aerodromes. Behind Caudillo, Army and Falange are the forgotten men, the people. That their passionate desire is for peace need not be doubted, but their opinion will not be asked. They serve the cause of non-intervention only in so far as the risk of their passive or active resistance interferes with the calculations of the German General Staff. There are, however, more ways of invading a country than by crossing the frontier with a roll of drums. What would be the

popular reaction to an airborne invasion designed to occupy only vital military objectives with the acquiescence of the Spanish Army? Probably nil. The issue will be decided in Spain by the success of British resistance. The appointment of Lord Gort as Governor and Commander-in-Chief at Gibraltar has the right air of determination, and in Dr Salazar Britain possesses a friend whose influence is all on the side of Iberian neutrality. But Suez remains the key.

* * *

The Line of Least Resistance

The technical difficulties of industrial "concentration" are very considerable. The products of single industries may be extremely diversified; machinery is very often not easily turned over to other uses; the factory space "released" may not be the space wanted by the Supply Departments. Nevertheless, the need to release labour and factory capacity for war work is so urgent that these are simply obstacles to be overcome. In the latest bulletin of the Institute of Statistics, Mr G. D. N. Worswick suggests that, in the hosiery industry, the pooling of plant is being stopped far short of the possible degree, in order to preserve the large number of brands and designs; and this, of course, is the compromise most favoured by manufacturers. Unfortunately, the line of least resistance is almost always wrong in total war. It should be as plain in these industrial discussions, as it is on the Mediterranean battlefields and on the Atlantic, that this is the life-or-death stage of the war; and when it is a question of releasing resources for war production, the most radical solution is generally the right one. In this case, and indeed in the case of most industries, the radical—and right—solution is the production of pooled or standard products in each class of production (in each line of hosiery, for instance), the suspension of trade marks and the merging of the resources of all firms, large or small, in the common pool. The important point is physical concentration—the production of the allotted ration of output with the minimum use of resources, space and man-hours. As Mr Worswick points out, to "encourage individual firms to initiate the desired changes," though in keeping with "traditional British economic policy," does not do the job. Concentration schemes are hammered out; but financial considerations are confused with the physical task in hand. Overhead charges, it is true, should be pooled, including the cost of maintaining closed factories; there should be compensation for hardship—if only to speed the war effort; and in every financial arrangement there should be safeguards for the smaller and weaker units. But these are separate problems from the real one, in which there is only one interest, the nation's safety and strength. Physically, there are no separate interests of firms and undertakings, only a single problem in each industry, or more precisely in each homogeneous line of manufacture, the problem of producing a fixed quantity of civilian goods with the least possible withholding of resources from the military effort.

* * *

Food Distribution

In the Commons on Wednesday there were strong protests about the maldistribution of food supplies, and in particular about the excessive supplies secured by multiple stores. In his opening speech, Major Lloyd George had said that mistakes were unavoidable and would be rectified. It is sternness and planned command that the Ministry of Food most lacks in its vast labours—both in rationing and in the control of supplies and distribution. There are the food parasites, for instance. The offence of people who steal from bombed premises is plain and heavily punishable; but there are bigger fry in this criminal game. They do not steal and they would call themselves traders or business men; but they are looters, taking advantage of wartime conditions, none the less. The Chairman of one Food Price Investigation Committee claims that speculation is rampant. Goods change owners many times like stocks and shares without leaving the warehouse. Canned soup, sold by the manufacturer at 6s. 6d. a dozen, passes through the possession of seven successive middlemen and is retailed at 14s. 6d. a dozen; canned marmalade, imported at 8½d.

a tin, is retailed at 3s. 6d. The Chairman, Sir Douglas McCraith, suggests that the middlemen should be cut out by law, and that producers or importers should sell only to wholesalers, and wholesalers only to retailers; that only licensed traders should be allowed to trade in food-stuffs; that maximum percentages of profit should be fixed; and that offenders should be put out of business and fined or imprisoned. This would be common sense and simple justice. It is the full control which, for some reason, the authorities have hitherto been reluctant to impose; it has been obvious, ever since the war started and the speculators got busy, that some such step was necessary. Only the punishments seem lenient, for the penalty for the cruder forms of looting can be death.

* * *

Ships for Smokers

In *Tobacco*, the trade journal, there is some interesting—and disturbing—news. Growers and exporters in the United States "hope" that shipments of American tobacco to this country may start at once; and they are talking of shipments in the coming summer at the rate of 10 million lb. a month. On the face of it, it seems a shocking thing that any use of shipping space for tobacco should even be contemplated, by anyone, at this stage. Tobacco is, of course, important for that convenience which, nowadays, is lightly called "morale"; and lately there have been local "shortages" of cigarettes—very often, however, only in the sense that the popular brands have been temporarily missing. But there is no real deprivation. It is true that, since the second half of last year, supplies of retailers have been reduced by one-tenth, but the difficulty in the way of reducing the pre-war rate of consumption is that in the first year of the war demand rose by a fifth or more; and the belated attempt to cut it down results in these "shortages." Thus the proposal is to employ invaluable shipping space to bring in tobacco in order to maintain a higher rate of consumption than in peacetime—at a time when ships are desperately needed for munitions and food. The task of cutting down consumption has, admittedly, been made harder by the long period early in the war when the tobacco companies—from time to time parroting the statement that they had "two years' supplies" (at the pre-war rate of consumption) in this country—complacently watched consumption mounting without doing anything about it; and the business of distributing supplies in accordance with the movement of population has been bungled badly—mainly, it would seem, from reluctance to cut down supplies really drastically in areas which have lost population. But the correct wartime policy for tobacco is still plain. At the most, consumption should not be above the pre-war level; brands should be pooled and cigarettes sold loose, to save materials and labour; advertising, which in the present situation is irrelevant, wasteful and actually harmful, should be cut down; supplies should be properly distributed; and there should be no imports. If the tobacco companies cannot carry this policy out, the Government should. This is a test case.

* * *

The Waste of Petrol

Since there are very few uses for tankers other than the carriage of oil, and as Great Britain and the United States now control the bulk of the world's tanker capacity, it has been widely assumed that oil was one of the imported commodities in which Great Britain was least likely to run short. This belief has certainly been encouraged by the Government, which is not only enabling the owners of all licensed cars to obtain a small basic quantity of petrol, but also permits many of them, through the liberal operations of the system of supplementary allowances, to exceed their basic ration. As a result, many thousands of tons of petrol are still being used by private consumers who, in the present emergency, could do without it altogether. If ever there was an example of waste it is the present method of allocating petrol and oil. Even if stocks in the country are being maintained, the Battle of the Atlantic is bound to take its toll of tankers, and the greater the number of tankers that can be held in reserve, the longer

their supply will last and the longer will it be possible to maintain the import of oil for essential needs. The time has clearly come when the lenient petrol rationing scheme at present in force must go, and when the test of any allocation must be the use to which it is put rather than the mere possession of a car. This would exclude all private motoring except for essential purposes. It is unfortunately necessary once again to point out that so long as the administration of the system of petrol distribution is in the hands of a Board which represents only the oil companies, it is difficult to feel confident that the public interest is given its full weight.

* * *

The Monthoire Policy

Save for the fanatics of the Laval school, who still believe that France can secure Italy's New Order rôle of "most favoured nation," it is not the outcome of the war in the Near East but economic necessities at home which will determine France's policy *vis-à-vis* Germany. The Nazis probably realise that, however complaisant Admiral Darlan or De Brinon may be, so long as Marshal Pétain remains at the head of affairs, open collaboration is either political or naval—is out of the question. It is, moreover, questionable whether political collaboration is what the Nazis chiefly want from France. Over the economic aspects of the Monthoire policy, Marshal Pétain has no scruples; indeed, the idea of Franco-German collaboration for securing mutual benefits and prosperity has long been preached in the wealthy industrial circles in which Marshal Pétain has his connections, with the economic life of France, and M. Lucien Romier, one of the Marshal's economic advisers, has been for years an advocate of Franco-German collaboration. Any hesitations bred of the fact that Germany is waging war to the death on France's former ally can be swept aside by the reminder that France's economic rehabilitation is possible only through German co-operation. The makings of a bargain are there. Germany is desperately short of skilled industrial and agricultural workers. France has millions unemployed. Germany needs plant out of the range of British bombers. France has the equipment but lacks the raw materials which only Germany can provide. With the active collaboration of many great French industrialists economic collaboration is already well under way. Whether Germany can extort more than this remains to be seen. The Nazis possess potent bargaining counters in the prisoners of war, the watertight zoning of France, and the undermining of the franc. These factors may be brought into play when the campaign for Gibraltar and North Africa opens. For the time being, economic collaboration is the order of the day, and apart from demanding that America shall not feed Hitler's French workers there is little that Britain can do to alter the position. Her best hope is the passive resistance of the French people, but they, too, long for work and bread.

* * *

Public School Finance

The Public and Other Schools (War Conditions) Bill, which came up for a second reading in the House of Commons on Thursday, throws into relief the financial difficulties which some public schools are now experiencing. Even before the war, a prospective big decline

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 Dods, O.B.E., G. W. Spinney, General Managers
The Most Honourable The Marquess of Willington, P.C.,
G.C.S.I., G.C.M.G., G.C.I.E., G.B.E. (Chairman),
F. R. S. Balfour, Esq., Sir Hardman Lever, Bart., K.C.B.,
Sir Frederick Williams-Taylor.
London Offices: 47 Threadneedle Street, E.C.2 Edward Pope, Manager
9 Waterloo Place, Pall Mall, S.W.1 J. H. Pangman, Manager
The Bank undertakes general banking business and with its numerous branches offers special facilities in Canada, Newfoundland and the United States.

in numbers was rendering them all over-capitalised. Now, some have to struggle with the costs of evacuation, while the registration of the under twenties will make those who go on to a University leave school at an earlier age in order to get through as much as possible of their University course before they are called up. Many schools, however, though they may find it difficult or impossible to make ends meet, are nevertheless richly endowed; their trouble is that in most cases the terms of the endowment prevent them from using the money where it may be most needed. By the new Bill, therefore, power is given for an Order-in-Council to be made enabling the governing body to apply the income or capital of any endowment for purposes other than those for which it was originally intended. The consent of the appropriate authority must be obtained to every proposal by a governing body to divert endowment funds; and the provision giving power to divert capital as well as income was inserted at the suggestion of the standing joint committee of governors and headmasters. It can therefore hardly be said, as was suggested when the Bill was introduced in the House of Lords, that power to alienate capital has been given indiscriminately by the Government without the consent of governing bodies—though it is quite true that the latter are still not fully and permanently represented on the joint committee. The Bill will help governors and headmasters alike in a peculiarly difficult period. But it cannot be regarded as a permanent solution to financial difficulties, and it may well be that public schools, too, will find their best salvation in concentration.

Shorter Notes

During the two hours' period of summer time, which begins on Sunday, May 4th, the black-out period will be shortened. In Scotland, Northumberland, Durham and Cumberland, with their longer twilight, it will begin an

hour after sunset and end an hour before sunrise instead of the present half hour in each case. In the rest of England the period will be shortened by a quarter of an hour at each end. The chief drawback to the longer daylight period will be the added incentive to spend, but it will also cause confusion in the country where single summer-time will govern the working day for agriculture, but not for anything else such as schools. Thus, on each farm there will be one time for the children and another for the cows.

*

In spite of the lesson of December 29th the City of London has not been able to make adequate arrangements for fire prevention throughout its jurisdiction. The chief reason is, of course, the very small residential population, which means that there is no pool of fire watchers from whom the City can form additional fire parties for firms unable, by reason of their small staffs, to make adequate arrangements under the Fire Prevention (Business Premises) Order. A new Order has, therefore, been made under which, with certain exempted classes, all men aged 18-60, whose usual place of work is in the City, may be required to register and to be enrolled for fire prevention duties in the City.

*

Another shocking total for road accidents is shown in the March return. The number killed was 834, compared with 496 in March last year. The number of deaths during hours of darkness was 369 and in daylight 465, compared with 235 and 261 respectively in March, 1940.

*

Parliament approved this week the draft regulations putting the Determination of Needs Act into effect. They will come into force, both for unemployment assistance and for supplementary pensions, in the first week of June.

THE WORLD OVERSEAS

Strikes in the United States

The Labour Riddle

[FROM OUR NEW YORK CORRESPONDENT]

ANY way one looks at it—and there is a wide choice of ways in which it may be regarded—the news of the month for March was the outbreak of strikes. Strikes were fairly frequent during the autumn, but after the turn of the year they began to fill an increasing space in the Press and to occupy an increasing share of the public attention. It is frequently, however, almost impossible to discover, even by the closest reading of the most voluminous reported strike, exactly what issues are involved. The bituminous coal strike, which began on April 1st and is the largest now in progress, is different—here the United Mine Workers presented specific demands, of which the most important were for a guarantee of 200 working days a year and the elimination of the north-south wage differentiation. Sometimes one side presents its case in the form of a paid advertisement in the Press—as did the bus companies in the recent New York strike—but such statements are immediately denounced as *ex parte* (which they naturally are) and mendacious (which they may or may not be).

To make matters more perplexing, it is now alleged that the space given to strike news in the Press is out of all proportion to the actual significance of the strikes themselves; that it represents an organised campaign of

labour baiting, deliberately designed to prejudice the public by assimilating strikes to sabotage of the defence programme, with the intent of securing repressive or oppressive legislation. Others state a different opinion in analogous terms—that these strikes are deliberate sabotage of the defence programme, and are to be regarded as parts of a political pattern.

The familiar aphorism of Sir Roger de Coverley that much might be said on both sides hardly applies. There are more than two sides. It is an irregular polyhedron; and your correspondent is incapable of enumerating all these sides, let alone measuring them.

First of all, the American labour movement has for several years been engaged in organising the labour element of an economy that formerly was mostly unorganised. In this process, what are called “organisational strikes” are likely to be frequent. Secondly, this programme of organisation was divided between two rival and mutually antagonistic groups (omitting the numerous “company unions”), the AFL and the CIO. This rivalry may take the form of a strike, analogous to but distinct from the “organisational” strike. Thirdly, the continuous process of changing techniques, notably in the building industry, creates conditions in which the new technique might rationally be allocated to either of two unions—for example, the use of steel windows instead of wooden windows raises the question of whether the installation of a window is carpentry or metal work. An allocation to either union provokes a protest and often a strike from the other union. This is the so-called jurisdictional strike.

Public Impatience

All these types are frequent, and none basically involves what is assumed to be the usual cause of strikes—wages, hours, or working conditions—although these questions may also be involved. Further, strikes are generally more propitiously timed when industry is active and labour scarce, regardless of the causes of the activity and scarcity. But when the activity is caused by a programme of intense national concern, as in the present instance, these interruptions, however they may be regarded by their participants, are regarded by the public in a special light. The public rarely understands the specific issues of a strike, and usually does not much care. Under current circumstances it feels that it is, for once, an interested party, and its primary concern is not the right or wrong of either side, but the interrupted process of production. Hence, the definite shift of public attitude from indifference to irritation, then to indignation, and, finally, on to something resembling exasperation.

In a play produced some years ago in New York, one of the characters (a politician proposing an unsavoury suggestion to his colleagues who demur in apprehension of public opinion) remarks sagely, “The great natural resources of apathy among the American people have barely been scratched.” But while apathy may be rated an American virtue, dispassionate objectivity, in periods of rising temperature in the emotional atmosphere, never has been. Hence, the present readiness to fling (and to believe) extreme statements—on the one side, that the publication of strike news is labour-baiting, and *a priori* evidence of treasonable relations with a foreign power; and, on the other side, that every strike is sabotage, and *a priori* evidence of treasonable relations with a foreign power. It is not merely to the jealous that “trifles light as air are . . . strong as proofs of Holy Writ.”

Strikes and American Defence

[FROM OUR WASHINGTON CORRESPONDENT]

April 5th

In the course of the last six weeks the strike situation has become the major domestic issue. A compilation made by the Labour Division of the Office of Production Management, at the request of the Chairman of the House Naval Affairs Committee, covering strikes in defence industries during the period September, 1939, to March 27, 1941, lists forty-three strikes directly affecting defence industry, and thirty further disputes regarded as secondary. (Twenty-three of the former and twelve of the latter began in February or March.) Since this compilation was published, a long-awaited stoppage has closed the River Rouge plant of Henry Ford, and the soft-coal contract has expired (on April 1st) with negotiations still pending for the renewal of the labour arrangements.

Examination of the causes of the strikes indicates that, contrary to general opinion, the main contention in the defence strikes is not wages. According to the OPM analysis, wages are an issue in seventeen of the forty-three main strikes. Five of the strikes have been “jurisdictional” disputes, either between the CIO and the AFL or between craft unions within the AFL. In nineteen cases, union recognition or union relations are the main unsolved problem.

In other words, labour, during the past weeks, has been attempting to do what industry did last summer—bargain for the basic arrangements under which the defence programme shall go forward. Last midsummer, business men were shying from Government orders. They foresaw endless wrangling over contracts bound round with the red tape of the General Accounting Office. They foresaw changes of specifications after work was under way. They foresaw idle plant on their hands when the show was over, with continuing taxes on their expanded capitalisation. It took about three months to work out the terms on which industry has inaugurated the expansions of this past winter, terms providing for rapid amortisation of new capital investment, or for the

sale of such properties to the Government at the end of a given period, or for the original construction of premises for defence work by the Government with private operation.

At the time that the industrial bargain was made, the country was far less awake than it is at present to the need for speed in re-armament; and the right of business to bargain is a generally recognised right. Labour is making its bid now under highly contrasting circumstances. The right of labour to collective bargaining has less than a decade of legal recognition behind it. Certain major corporations like Bethlehem Steel and companies like Ford are still testing in the courts the necessity of compliance under the laws by which these rights were established. Picket lines at big plants are likely to lead to disorder. Disorder is front-page news. And the country wants deliveries now.

“There Ought to be a Law”

Action in this situation is taking a variety of forms. Speeches, Bills and resolutions in the State legislatures currently in session and in Congress indicate that a growing number of citizens believe that “there ought to be a law.” For example, a Bill currently before the Oklahoma legislature (already passed by the State Senate) would make it a felony punishable by three years’ imprisonment and a \$10,000 fine to solicit defence project workers for union membership. In the Federal House of Representatives, the Judiciary Committee has before it a collection of comparable proposals. The harshest of these would make advocacy of, or participation in, a defence strike a treasonable offence, punishable by twenty-five years’ imprisonment, or, if the strike resulted in fatalities, by death. Another proposes amendment of the Selective Service Act to include registration up to sixty-five years and to empower the President to draft men for defence labour. A third provides for a compulsory “cooling-off period” before a strike could be called.

Testimony that the legislators are echoing feeling in the country comes from the Gallup poll. The number of persons favouring unions even “in principle” is dropping slightly; more than half of those currently dissatisfied with progress under the defence programme cite strikes as the major cause of delay; and a just tabulated vote on whether labour union leaders are helping the programme as much as they should showed eighteen persons voting “yes” to sixty-eight voting “no.” The recent decision of the AFL building trades to ban jurisdictional strikes among themselves on defence projects is evidence that labour is seeing the handwriting on the wall. Clearly, legislative action taken in the current public mood may undo many recent gains.

The Administration's View

So far, administration policy is opposed to legislation as a means of halting strikes. The Government's current answer is the executive order of March 19th, creating an eleven-man National Defence Mediation Board, with four representatives of employers, four of labour and three of the public, under the chairmanship of Mr Clarence A. Dykstra, President of the University of Wisconsin and Director of Selective Service. The President has specifically asked that legislative action be deferred until this Board is given a trial as a means of settling disputes certified to it by the Secretary of Labour. A number of cases have already been certified to the Board. Most important so far is that the Allis plant at Milwaukee. On March 26th Colonel Knox and Mr Knudsen of OPM demanded resumption of work at this plant, where a strike was in its tenth week, “vitally affecting the delivery of navy orders.” The union (CIO) criticised their action as an attempt to force its hand, and work came to a stop again on April 2nd, after clashes with the police. The case was certified on April 3rd.

With this case and the Ford case assuming large proportions, prophecies of a “crack-down” are busily circulating in Washington. The two cases, both concerning CIO unions, would make a pair. Those present when the President addressed the White House correspondents—or listening over the radio—remember the burst of applause when he said: “It [the determination of America] must not be obstructed by unnecessary strikes of workers,” and they remember how he firmly continued, “or by short-sighted management” across the applause. That sentence may have been the beginning of a formula.

Nazi Trade in the Far East

(From Our Shanghai Correspondent)

March 20th

GERMAN exports to China, forwarded via Siberia, have this year maintained an average value of £250,000 per month. Some £175,000 worth of these exports are being placed in the Shanghai market and the remainder in Japanese-occupied parts of North China. German aniline and other coal-tar dyes, as well as sulphur black, play the leading part in these exports, and account monthly for about £100,000 in Shanghai and about £35,000 in North China. Germany supplies 80 per cent of Shanghai's imports of dyes. Over £50,000 worth of German machinery, supplied monthly to semi-official Japanese "development" firms in China, rank second. Other German exports to China include chiefly medicines and drugs, chemicals and some hardware.

Proceeds from these exports fully serve for the purchase of Chinese supplies for Germany. Chinese Customs reports this year include dried egg products, bristles, pig intestines and horsehair among exports to the Reich. In Japanese-occupied China, the Misui Bussan Company works on behalf of the German purchases by discouraging egg shipments to Shanghai's Anglo-Saxon exporters, while promoting the manufacture, in hundreds of small native plants, of dried egg products for Germany. As a result, since the beginning of this year, exports of Chinese egg products to Germany considerably exceed Shanghai's shipments of eggs to London.

These exports to Germany all follow the route via Dairen, Manchuli and Siberia, and the same route takes additional exports to Germany which the Chinese Customs list as shipments to Japan's Kwantung Leased Territory. These latter exports are considerable, and make Kwantung Leased Territory rank third among the countries of destination for Shanghai exports. They mainly include black tea, buffalo hides and leather, vegetable oils and fats, as well as some raw cotton, and will soon include some high-class mineral oil products as well as wolfram and rubber.

No value figures and but few other details are known about German trans-Siberian trade with Japan and Manchuria. Several heavy industry plants in Manchuria have in recent months reported the arrival of important items of German machinery, ordered before the European war and long overdue. Power plants in Japan proper also secured new German equipment. Japan is known to hand over to Germany some tropical produce and metals imported by herself, while Manchuria forwards bean oil to Germany as well as other vegetable oils and fats. Problems of foreign exchange do not enter into this trade; out of pre-war commercial transactions between Germany and Japan the latter is heavily indebted to Germany, which has large commercial credits "frozen" in Japanese State banks to draw upon. On the other hand, although a special Italo-Japanese committee has been formed to promote trans-Siberian trade between Japan and Italy, there is no indication that such trade has assumed any significance.

Russia's Price

The Germans have set up a special organisation to handle German trade with the Far East via Siberia. At the German end, this organisation makes use of the apparatus of the Hamburg-America Line, while the Far Eastern end is looked after by a group of German, Chinese and Japanese firms. At several points in Russia proper, as well as in Siberia, this organisation maintains representatives and transportation experts. Berlin and Moscow are reported to have arranged for German-Far Eastern traffic through Siberia to the extent of 2,000 tons of goods per day, but the actual volume of this traffic is far below that. Russia is unable, or unwilling, to mobilise a sufficient number of freight cars. Delays are enormous; carloads are known to have arrived in German-occupied territory as late as from three to six months after dispatch from Manchuli or Vladivostok. Damage to trans-Siberian freight transport to and from Germany is very considerable.

Russian charges for trans-Siberian transit traffic are extremely high, and since the closure of the Suez Canal

have been multiplied. The Russians not only sharply raised, last autumn, their valuation of the Russian currency against the Reichsmark, but early this year they also doubled and trebled the basic freight rates for most commodities of importance in Germany's trans-Siberian trade. For Germany, of course, it is the Far Eastern supplies that now count and not the cost of transportation, however high; nevertheless, this cost constitutes a serious burden for Germany, since Russia insists on transit freight charges being paid on a U.S. dollar basis.

Canada's New Wheat Policy

[FROM OUR OTTAWA CORRESPONDENT]

March 21st

THE King Ministry on March 12th made an announcement of its wheat policy for 1941. Mr Gardiner, the Minister of Agriculture, and Mr Mackinnon, the Minister of Trade and Commerce, revealed the decision to follow the example of the United States in an attempt to curtail the production of wheat by giving bonuses to the western farmers for not growing it. The basic features of the Government's new plan are that, in the next crop year, it will limit the amount of wheat of which delivery will be accepted by the Wheat Board to 230 million bushels, on a quota basis, with the present guaranteed minimum price of 70 cents per bushel (No. 1 Northern at Fort William) continued for another year. It will also give a bonus, at the rate of \$4 per acre, on all land taken out of wheat production and cultivated in summer fallow, and at the rate of \$2 per acre for land withdrawn from wheat growing and sown with oats, barley, rye, grass or clover; if land, which earns this lower bonus, is still under the same crops in 1942, an additional \$2 per acre will be paid. The system of paying for farm storage of grain will be contributed next year, but only on grain that comes under the farmers' new quota.

Estimates and Reactions

The Government's calculation is that the bonus should be an attractive inducement to the farmers to grow less wheat, because on the average small farm in the West \$5 per acre is counted a fair profit on a wheat crop after costs of labour and seed have been allowed for; it also estimates that the acreage allocated to wheat this year will be cut to 65 per cent of the acreage of 1940. If farmers grow wheat in excess of their quota, they themselves will have to assume the risk of finding a market for it. July 1st has been fixed as the "deadline" date on which farmers must be able to prove that their land is "black" in order to be able to collect the bonus for summer fallowing. There will be no change in the processing tax of 15 cents per bushel for wheat made domestically into flour, which the grain growers wanted to be increased. Moreover, the new scheme will not be applicable to Eastern Canada, where farmers will be allowed to market as much wheat as they like to grow at the price prevailing this year. The Minister of Agriculture estimated that, if the 35 per cent reduction were achieved and nine million acres withdrawn from wheat into summer fallow, the bonus payments would total \$36 millions, but that, if 6,000,000 acres were summer fallowed and 3,000,000 acres given over to coarse grains and grass, the payments would be only \$30 millions.

The new scheme has not been received with much enthusiasm in Western Canada, and evidently does not satisfy the leaders of the wheat pools of Manitoba, Saskatchewan and Alberta. On the day following the announcement they issued a joint statement, urging the Government to reconsider its 1941-42 wheat policy "to bring it more in line with the needs of Canadian agricul-

May 3, 1941

THE ECONOMIST

589

ture"; they criticised it on the ground that the basic guaranteed price of 70 cents which is being retained is too low to provide an adequate return to the producers, and that the projected reduction of wheat acreage is far too drastic an adjustment. The plan is also meeting with objections in Eastern Canada, particularly in Ontario, on the ground that the Government is giving bonuses to the western farmers for turning from wheat growing to raising products which will compete with those of eastern farmers. There already exists a serious disparity in the cost of livestock feed between the east and west; mill feeds in the east to-day cost \$26 per ton, but in the west the best wheat is available for feed at \$17 per ton; as a result the production of pigs in Saskatchewan has been doubled during the past year. Now, the western farmers are to be given a bonus of \$2 per acre for growing barley, a favourite feed for pigs, and it is estimated that western farmers, who switch a quarter section of land (160 acres) from wheat to barley, will be given the cash equivalent of twenty-three pigs by the Federal Government. As a result the western farmers will be able to undersell their eastern brethren in pigs. Mr Gardiner admitted on February 27th that there was already a serious over-production of pork products, with two million pounds of pork going into cold storage each week, and fears are expressed that the present glut may be greatly exaggerated. It is also feared that the bonus on coarse grains will encourage the western farmers to turn to products like cattle, poultry, butter and condensed milk, which are the mainstays of the revenues of the eastern agriculturists. Ontario, as the richest province, will have to provide a substantial part of the funds for this new Federal subsidy to the west; it is therefore forecast that many representatives of rural constituencies in Ontario will oppose the scheme on the ground that it is unfair to make it contribute to a subsidy, the ultimate effect of which may be harmful to its own farmers.

The most powerful argument for the scheme, however, is the virtual impossibility of finding storage for another wheat crop like that of 1940. Official estimates indicate that, at the end of the current crop year on July 31st, the carry-over of Canadian wheat will amount to about 575 million bushels; according to figures given to Parliament by the Minister of Trade and Commerce, this amount of wheat will occupy almost all the storage space available. The Government has made arrangements with elevator companies for the construction of temporary storage capacity at the head of the Great Lakes to hold an additional fifty million bushels of wheat, which will bring Canada's total storage capacity for wheat up to 571 million bushels. To this can be added storage capacity available in the United States for thirty-six million bushels, and an allowance of fifteen million bushels for grain in transit by rail or water, making a total of 622 million bushels. But, according to the Minister, from this figure there should be deducted an allowance of forty million bushels for working space and for accommodation for coarse grains, so that there would only be left capacity for 582 million bushels.

New Blows Against Czechoslovakia

[BY A CZECH CORRESPONDENT]

April 20th

EVENTS in the Protectorate when Yugoslavia revolted are typical of the spirit of the Czechs. When Cvetkovic and Cincar Markovic yielded to the Axis demands, the Nazis ordered the streets of Prague to be decorated with flags. Only a few flags, however, were to be seen, and these only on official buildings. But as soon as the people learned that Yugoslavia had found its soul, the town was a sea of flags. The rejoicing all over the country was so great that several people in Brno were arrested for "unreasonable demonstrations." Moreover, the heaviest blow so far against Czech nationalism was struck by the banning of the "Sokol" organisation. The Sokol was the biggest organisation in the Slavonic countries; although a gymnasts' organisation, it was not only concerned in physical training, but also in moral and intellectual education. In the U.S.A. it is the only link between Americans of Polish, Yugoslav, Ukrainian,

Czechoslovak and Bulgarian extraction. The membership in the Protectorate included adults, adolescents and children of both sexes, and amounted to 6½ per cent of the population. Every little village had its "Sokolovna" (Sokol home), and the Germans seized 1,000 buildings (with drill rooms, libraries and club-rooms), 200 swimming pools, 183 skating rinks, two big hotels and a large publishing house. When the Habsburgs tried to suppress this movement during the last war it was the first signal for Czech rebellion.

Agents Provocateurs

The Gestapo are choosing reliable Nazis to pretend to be Czechs and mix with Czech society. When they succeed in making acquaintances they are to pose as organisers of the liberation movement and to recruit members for it. Then the prospective members are arrested. The following incident shows how the Gestapo organises a frame-up. A week after the issue of telephone directories printed in German the telephone boxes in Prague were damaged by unknown persons; the telephone wires were cut, receivers broken and the directories mutilated. The damage was so great that there was a danger that the public telephones would be out of action. A few days later, two students of the German university were caught damaging a box. After this had been reported to the Gestapo, this activity immediately stopped. Even if Germans should be tried by a Czech court they can still hope for Nazi justice to liberate them. The Reich Protector, Herr von Neurath, has issued a decree to Czech courts reserving to himself the right to change and cancel verdicts which have already been put into execution, and the German authorities make extensive use of this privilege.

The Czechoslovakian spas and holiday resorts are overcrowded with German children, who have been arriving daily during the last two months in large numbers. Hotels and private houses are commandeered for them in the simplest manner. A fortnight ago, the owners of country houses in beautiful Jevany, near Prague, were ordered to the police station, where they were informed that their houses were requisitioned. The children, among whom are Himmler's offspring, walk about in the Czech towns clad in Hitler Youth uniforms, which causes great annoyance.

Shorter Notice

"An Outline of War-time Financial Control in the United Kingdom." By W. F. Crick. Macmillan. 59 pages. 6d.

The only circumstance that will prevent this pamphlet from becoming the definitive description of the machinery of financial control that has grown up in this country since the outbreak of war is that events are still moving; and that single defect can be—and, it is to be hoped, will be—removed by successive editions. The titles of the three main chapters sufficiently describe the scope of the pamphlet: "The Control of Capital and Credit"; "The Control of Purchasing Power Abroad"; "Frustrating the Enemy." Mr. Crick has all the virtues; he is comprehensive, objective, lucid and accurate; he is to be congratulated on performing a most valuable service of exposition.

More Typewriters wanted

To Speed Up The War Effort

H.M. Stationery Office ask all owners of typewriters to offer any which can be spared for work of urgent National importance. Machines should be in good working order and not over 20 years old.

THE DIRECTOR OF SUPPLIES (S3E), H.M. Stationery Office, Princes Street, S.W.1. State name of maker, model and whether you wish to sell or loan.

German Europe

German Coal.—Germany's coal industry and coal trade, traditionally organised by powerful syndicates, recently formed a new organisation called the Reich Coal Co-operative (*Reichskohlenvereinigung*). At the same time, the office of the Coal Commissar was dissolved. The task of the new organisation goes far beyond that of the dismissed Commissar, who was appointed in spring 1939 with the object of increasing output. The new Coal Commissar, who has been appointed leader of the new organisation, is the director-general of the Hermann Goering Works, the State-owned concern which is the biggest coal producer in Germany. At the same time, a new Special Commissar for coal transport has been appointed. The stated objects of the new organisation are greater output, a higher standard of living of the miners, the equalisation of interests between different syndicates, the planning of transport and collaboration in the expansion of synthetic industries based on coal.

Actually, the new organisation is hailed as a success for private industry, created by the initiative of private employers. But State control will remain as effective as before. The reasons for the reorganisation are manifold. The distribution of household coal according to a point system similar to that for clothing was cumbersome. It has been abolished. The former Coal Commissar dictatorially increased wages, which in turn affected the earnings of the industry, especially when working at full capacity. In short, the industry, hampered by a shortage of labour, could not use the favourable situation of an almost unlimited demand for coal to its full advantage. The new organisation comes as an interesting compromise between powerful cartels, compulsory economic federations, and control organisations working through the Ministry of Economic Affairs and State-owned concerns. Generally speaking, some restrictions on private initiative have undoubtedly been removed and other industries are expecting similar reorganisations.

Germany's war economy depends entirely on coal. Directly or indirectly the manufacture of synthetic products consumes enormous quantities of coal, and the necessary increase in the capacity demands time and a large capital expenditure. Before the collapse of France Germany seemed to have solved her coal difficulties by the occupation of Poland, with an output of 38 million tons. But the conquest of Western Europe, as well as the extended industrial programme, created new difficulties. In 1938, Germany and the countries under German control produced 324 million tons of coal and 208 million tons of lignite equivalent to another 50 million tons of coal. Germany's and Poland's net exports of coal in that year amounted to 37 million tons, whereas the net imports of all the continental countries during the same year may be put at 57 million tons. Compared with peace-time demands, therefore, the continent is thus short of some 20 million tons of coal. Actually, in 1940, coal output was very small in the Saar territory, in Belgium and in France. During 1939, Germany may have reached the record of 1938 and there has probably been an increase in 1940. Nevertheless, coal and coke rationing for household consumption could not be avoided.

Company reports covering 1939-40 indicate that there has been no actual shortage of coal for industry. But without adequate exports of coal to neutral and occupied or controlled countries, Germany cannot make full use of their industries. In the Ruhr, no rapid increase in coal output is possible, because of unfavourable working conditions, but in German and Polish Silesia working conditions are favourable for a new record output. This area produced 55 million tons of coal in 1938, and it is planned to reach an annual output of 100 million tons. But several years will be needed for this programme. The incorporation of Polish concerns into German companies has been completed and mechanisation is being speeded up. The coal mines in Northern France, which produced on an average 30 million tons a year, may soon reach the pre-war output. In Belgium and Holland, the mines are working normally and the greater part of the mines in the Saar territory will have been restarted by now. But shortage of labour, especially of skilled miners, is still the greatest obstacle to increasing output. During the winter 1940-41, miners were released from the army in great numbers; new machinery was installed; and increased wages were paid, intended to attract more

workers. At the same time, a comprehensive scheme of training young workers to be skilled miners was introduced.

With a strict system of rationing household coal, German Europe may be able to supply the industrial requirements of continental Europe; and the generation of electric power from water may relieve the situation. But there remains the problem of transport. With the exception of the Baltic, all the sea routes are closed, and the bulk of the coal has to be transported over land or on inland waterways. There are no waterways for the transport of coal to Italy and France.

★

Electricity.—The manufacture of synthetic rubber, aluminium, other light metals and most substitute products requires enormous amounts of electric current, and ever since 1938-39 electricity companies have been strained to the utmost of their capacities. The largest producer of electricity, the *Rheinisch-Westfälische Elektrizität Werke AG*, reports a further increase in 1939-40 in the supply of electric current. This concern operates 250 power stations which are connected by a grid system, which includes in addition some 400 small stations. During 1940, new power stations began operation and the concern concluded agreements with Bavarian and Austrian companies for the construction of new water power stations in the Tyrolian Alps. The gross income of the concern increased from Rm. 111.7 millions in 1938-39 to Rm. 122.1 millions in 1939-40. The total supply of current increased from the 8,200 million kwh in 1938-39, which was then roughly one-eighth of the total supply of electric current in the Old Reich. Two years ago the output was 6,200 million kwh, and it was only 3,000 million kwh in 1931-32.

The occupation of Norway and other European countries has led to plans for a European grid system based on the cheap water power in Scandinavia, on the one hand, and in the Alpine countries on the other. In February, 1941, a German-Norwegian body for the expansion of electricity generation in Norway was founded; and an increase of 10,000 million kwh is planned, of which the greater part will be transported by cable to the Continent. It will, however, take many years until the export of current can begin.

★

Savings.—The additional purchasing power of the great masses of the population has been absorbed to a large extent by the savings banks. But the actual increase in deposits held by the special savings banks can only be estimated. The latest official figures relating to June, 1939, shows total savings for the Old Reich amounting to Rm. 18,860 millions. The *Frankfurter Zeitung* estimates total savings deposits for Greater Germany at the end of 1939 at Rm. 21 to 22,000 millions, and at the end of 1940 at Rm. 27,000 to 28,000 millions. That is an increase of 30 per cent. during 1940. The greater part of the additional purchasing power has been absorbed by the banks. The most recent development in bringing back money and capital into the Treasury is a decree compelling all companies to reduce prices as soon as profits exceed "normal" proportions—which are measured by a 6 per cent dividend. If a company discovers that the reduction in prices should have been made earlier, the excessive profit gained over that period must be at once handed over to the Regional Treasury Departments.

★

Artificial Textile Fibre.—The output of staple fibre in 1940 is estimated by American sources at 300,000 metric tons, against 200,000 tons in 1939 and 162,000 tons in 1938. The output of rayon is reported to have reached 100,000 tons in 1940, against 67,000 tons in 1938. The 1940 output of staple fibre and rayon would thus be 39.6 per cent of the total supply of textile fibres in 1938. During 1940, imports of flax increased considerably from Belgium, Holland and the Soviet Union.

THE BUSINESS WORLD

The Battle of the Yuan

THE currency battle in China, the fight between the yuan of the National Government and the various currencies of the invader and his puppet authorities yields nothing in fierceness or importance to the other aspects of the struggle in that country. Two agreements signed on Saturday of last week between the Chinese Government and the Treasuries of the United States and Great Britain respectively should ensure that, for a time at least, that battle will be waged by the Chinese with greater equality of resources than they can at present command in the military field. The two monetary agreements place at the disposal of the newly constituted Chinese Stabilisation Board credits amounting to £5,000,000 and \$50,000,000. These are being provided directly by the British and United States Treasuries and will be used, in the words of the official statements issued in Washington, where the agreements were signed, "in order to check undue fluctuations in the exchange value of the Chinese yuan."

The external help to Chinese currency began with the establishment of the Chinese Exchange Stabilisation Fund in March, 1939. The British contribution to the initial resources of that fund amounted to £5,000,000 and was made by two British banks operating in the Far East, the Hong Kong and Shanghai Bank and the Chartered Bank, whose interests in this operation were fully safeguarded by a British Treasury guarantee. Last December it was announced that the British Government had agreed in principle to extend the sterling credits to the Chinese Government by a further £10,000,000. Of this total, £5,000,000 was made available for financing Chinese purchases within the sterling area. This was a merchandise credit, and its proceeds were never placed at the disposal of the Chinese Stabilisation Fund. The balance of £5,000,000 was promised in the form of a Stabilisation Fund credit as soon as the necessary technical details for operating it had been worked out. It is this £5,000,000 which has now been credited, not to the Exchange Stabilisation Fund, but to the Stabilisation Board which is to take its place.

The establishment of the Stabilisation Board is a token of the concerted approach now being made by the Chinese, American and British authorities to the problem of monetary stability in China. The Stabilisation Fund was established to operate the fund fed by exchange contributions from Chinese and British sources. The Management Committee operating it consisted of three representatives of the Chinese Government, Mr. C. Rogers, of the Bank of England, and the managers of the two British banks which provided the initial contribution to the fund. Though the Committee must at all times have worked in close collaboration with the authorities operating the substantial United States dollar credits placed from time to time at the disposal of the Chinese Government, it remained essentially a Sino-British organisation. The Stabilisation Board, on the contrary, will crystallise the Tripartite agreement emerging out of the parallel monetary agreements signed at the end of last week. It will have three Chinese representatives, one nominee of the United States Treasury, and one member appointed on the recommendation of the British Treasury. Mr Rogers will hold this last position. The Board will co-ordinate the highly complicated task of Chinese exchange control with an effectiveness and unity of objective which was not possible under the former arrangements. It should, however, be realised that the exchange resources of the fund cannot be pooled and used as one homogeneous *masse de manœuvre*. Even in a free market such as Shanghai,

sterling remains a controlled currency and, unless the sterling that is being placed at the disposal of the Chinese Stabilisation Fund is given the attributes of ready convertibility into gold or United States dollars at the official rate, it will not mix readily with the United States dollars which will form the other part of the Fund's resources. Thus the dollar and sterling sides of the Fund will be operated separately—but under the control of one and the same authority.

The difficulties that must be faced in attempting the task of exchange stabilisation in China are formidable. In the first place, the efforts of those who are endeavouring to give the yuan some semblance of stability must be seriously hampered by the fundamental fact that far from the whole of the proceeds of Chinese export trade now reach the agents of the Government. The Treaty ports are in Japanese hands, but the leaks through their control, though they have been, and still are, considerable, are gradually being stopped. In the second place, the difficulties which the yuan is encountering in its



A Complete Banking Service

THROUGH its widespread organisation, Barclays Bank offers the fullest possible facilities for the transaction of every kind of Banking Business, at home and abroad

Full particulars of the various services provided may be obtained from any Branch of the Bank

BARCLAYS BANK LIMITED

Head Office:

54, LOMBARD STREET, LONDON, E.C.3

FOREIGN BRANCHES:

LONDON	-	168, Fenchurch Street, E.C.3
		1, Pall Mall East, S.W.1
BIRMINGHAM	-	61, Colmore Row
BRADFORD	-	13, Market Street
LIVERPOOL	-	45, Castle Street
MANCHESTER	-	94, Portland Street

struggle for survival are increased by the fact that not only the enemy, but his fifth column are within the gates. Wherever the Japanese army pushes in, the military yen follows it. In the territories under Japanese control and governed by puppet authorities, local currencies have sprung up. The most important of these is that issued by the Central Reserve Bank which was established in Nanking last January and has since opened a Shanghai office. The difficulties of propping up a basically weak currency (as the yuan is, because of the Japanese control of the main outlets for Chinese exports) are increased many times when competing currencies are circulating side by side with it in its domestic market. The Japanese and their puppet Governments can to some extent force their currency into circulation, and in exchange obtain notes or credits expressed in terms of National Government yuans. If they offer these yuans on the open market, and if the Stabilisation Board, in performing its function of "checking undue fluctuations in the exchange value of the yuan," sells sterling and United States dollars against them, the exchange resources provided to support the yuan will, to this extent, merely have found their way into the coffers of the enemy.

Can this be avoided? In theory, it could be, provided an effective scheme of exchange control could be devised in China. If, for example, China could be brought within the scope of the British Special Account agreements as regards transactions with the sterling area, and if a similar technique could be applied to China's transactions with the dollar area, all would be well. But effective exchange control, which is difficult enough to operate under the most favourable conditions provided by the United Kingdom with its sea frontiers, would create a nightmare of difficulties in a country such as China, where it would have to be operated without the help of a highly developed banking system and where it would have its every move countered by the invader and his agents. In other words, the fact must be accepted that Shanghai, the centre on which the operations of the Chinese exchange control will have to be largely focused, will remain a free market. And this means a risk that some of the funds may be diverted to channels which

neither Great Britain nor the United States wishes to feed.

That risk cannot be altogether averted, however cautious and cunning the operations of the Stabilisation Board may be. It must be accepted in the cause of upholding Chinese confidence in the yuan. Under existing conditions the best way of averting this danger of diverting sterling and dollars into unwanted hands is so to underpin local confidence in the National Government's yuan that the efforts of the Japanese and their puppet Governments to oust it from circulation and to obtain considerable holdings of it meet with as little success as possible. It should be pointed out that hitherto the measure of success met by the new currencies in supplanting the yuan has been surprisingly small. The military yen enjoys a forced circulation which does little more than outlast the initial transaction in which it was thrust on an unfortunate and unwilling Chinese merchant or peasant. The circulation of the Central Reserve Bank remains very modest. Its notes, which began by circulating at par with the yuan, now command an exchange premium over the National Government's currency, but this is an artificial corollary of the attempts which have been made to link its exchange value to that of the Japanese yen. Provided the exchange value of the yuan can be held at about 3½d. this premium need cause no concern. In fact it will tend to favour the yuan as the basis of such export transactions as can still be financed in the free market.

The resistance of the yuan to the heavy odds against which it has had to contend has been unexpectedly tenacious and successful. Its exchange value, since the establishment of the Stabilisation Fund, has admittedly fallen in terms of sterling from 9d. to 3½d. But its hold on the loyalty and confidence of the Chinese population—even in the occupied parts of China—has not been shaken by this. The exchange stability of the yuan must, however, be held at around the present level if that confidence is not to be ultimately undermined. If Great Britain and the United States can purchase this stability and all it implies for continued Chinese resistance to Japan, at the cost of the new credits, they will have made an excellent bargain.

Electrical Equipment Shares

THE conclusions reached in an article on Electric Power Companies, in *The Economist* of April 19, form a natural point of departure for a consideration of the prospects of the equipment companies. Most of the leading companies in this section experienced great expansion between the two wars, but, although they are well past the troubles of adolescence, they are still far short of old age; the secular trend of the industry is still upwards and, in favourable circumstances, should remain so for a substantial period. A full measure of success for the industry depends on the possibility of further reductions in the real cost of electric power, both in this country and in numerous overseas markets, and upon the discovery of fresh uses for electricity. In considering the outlook, it is necessary to distinguish between the supply of heavy equipment for the manufacture, distribution and conversion of current, and the growing collection of lighter products for the home, the office and the factory, with the necessary accompaniment of detail distribution. While, however, this distinction must be kept in mind, most of the firms concerned do not restrict themselves to one side of the industry.

In the field of heavy equipment, an era of great expansion was well advanced at the outbreak of the war. Late as was this country in the field, the plans for the first section of a national grid had been carried out and a high percentage of factories was employing electricity for a variety of purposes. It is reasonable to assume that the erection of many new war factories has brought a further increase in this proportion, but saturation point has certainly not yet been reached, even in the field of heavy equipment. Further, the replacement of existing plant, and of the distribution network, must continue to be an important item. In the years prior to the war, the Empire and numerous foreign countries were taking a considerable and growing share in the total output. With the U.S.A. increasingly occupied with war work, it is difficult to see what alternative source of supply exists,

and, while this country will continue such exports as it may, the amount derived from here is not likely to be large. Granted that many potential customers will do their utmost to produce at home, it is scarcely probable that they will be able to manufacture the more elaborate

Calendar Year	Profit per cent. 1931-40, or nearest available.									
	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940
Associated—										
Profit	37.4	41.5	40.5	61.3	86.5	110.0	134.0	146.0	153.5	179.0
Dividend %	4.0	4.0	3.0	6.0	8.0	10.0	10.0	10.0	10.0	10.0
Eng. Electric (a)										
Profit	56.5	28.7	47.2	46.3	70.7	96.3	149.0	180.0	187.0	189.0
Dividend %	—	—	—	—	—	—	10.0	10.0	10.0	10.0
G. E. C. (b)										
Profit	76.0	72.8	69.8	85.0	106.4	117.5	127.8	128.1	136.0	—
Dividend %	8.0	8.0	10.0	15.0	17.5	20.0	20.0	20.0	20.0	—
Johnson & Phillips										
Profit	64.8	39.1	50.4	77.3	94.0	117.0	131.0	133.0	197.0	—
Dividend %	5.0	5.0	5.0	7.5	10.0	10.0	12.5	12.5	15.0	—
Brit. Insulated (a, d)										
Profit	86.0	86.0	75.5	81.5	98.5	112.0	120.0	118.0	114.5	115.0
Dividend %	12.5	12.5	12.5	12.5	16.7	20.0	20.0	20.0	20.0	20.0
Callender's—										
Profit	74.5	77.5	75.7	76.5	93.5	120.0	134.0	105.0	148.0	—
Dividend %	15.0	15.0	15.0	15.0	15.0	20.0	20.0	15.0	15.0	—
Crompton Parkinson (c, d)										
Profit	31.4	40.3	43.0	53.8	98.0	138.0	156.0	156.0	156.7	154.7
Dividend %	4.6	4.3	2.4	2.5	2.0	5.5	5.8	20.0	20.0	20.0
Ever Ready (b)										
Profit	67.5	77.0	81.5	95.0	108.0	119.0	118.3	103.7	144.3	—
Dividend %	35.0	35.0	35.0	35.0	35.0	45.0	35.0	30.0	40.0	—

(a) After tax. (b) Year to March 31 following. (c) Year to September 30 preceding. (d) Dividends adjusted for scrip bonuses.

items of equipment, and there is reason to suppose that there will be large arrears to be made good once exports are freed.

Great as has been the expansion of output on the heavy side over the past two decades, it has been propor-

tionately greater in lighter products, which include, of course, a large and growing collection of domestic appliances. Here, overseas markets may be better placed to meet their own demand, but the demand will grow only slowly if heavy equipment is not obtainable to increase the distribution of power. At home, if it be conceded that, when war and essential reconstruction are finished, an increasing section of the community will be in a position to afford those labour-saving devices and luxuries for which electricity seems peculiarly adapted, there still seem very large fields for expansion. This takes no account of the virtual certainty of new uses. The one probable exception to this rule is the cable section, which will continue to be affected by wireless communication and, in some degree, by the replacement of waterborne by air mail.

With good prospects of further expansion, the leading companies have already established a reputation for conservative finance. The table on the previous page shows the movements of profits, before tax and depreciation where possible, and of dividends for eight companies, which afford a representative cross-section of the industry. It will be seen that while distributions have, on the whole, been steadily increased, profits have been the subject to the effects of trade depression, despite the marked expansion over the period. Profits are expressed in percentages of the average for the decade to facilitate comparison between one company and another, but they give only a rough approximation, because there is, in most cases, no means of assessing the treatment of important items by subsidiaries. Where gross figures are available, those for the past two years suggest that the impact of armament demand is considerable. After making due allowance for factors affecting English Electric in the early part of the period, and now happily removed, the picture presented is broadly similar for most of the companies, despite wide divergences in their scope. General Electric, possibly, casts the widest net, producing virtually all kinds of equipment as well as owning a supply company, a feature which it shares with Johnson and Phillips. The latter company and English Electric place the accent on heavy goods, while Associated Electric, with its subsidiaries, covers a very wide field. British Insulated specialises in cables and industrial equipment, with substantial interests in automatic telephones and copper refining. Callender's has kept mainly to its original business of cable and wire making, and had an almost world-wide system of branches and agencies, a fact which, perhaps, explains the recent setback. Crompton Parkinson represents mainly the lighter side, and Ever Ready a highly specialised section of it. All can and have adjusted type of output to changing conditions of demand.

The table below attempts to give a picture of the position of each company at the date of the latest balance sheet. The percentage of fixed to total assets appears low for the type of business and probably conceals hidden reserves. It is, however, affected by the very high level

of liquid assets, and, in particular, of stock-in-trade. The wide divergences in this item between companies are largely due to differences in date, for there has been a marked expansion during 1940 among all concerns working for Government account. No anxiety need be felt about this sudden rise, provided that it represents work under contract, but it seems that there has been some deterioration in the percentage of total liquid assets to near liabilities, given in the fifth column. For all companies, the general level of prices after the war will be the test of the adequacy of reserves, but, with the exception of English Electric, which was at one time the victim of indifferent finance, all the companies have ploughed back large sums over the past decade and some of them more moderate amounts over a lengthy period. With the exception mentioned, free reserves, including

	Per cent. Gross Assets.				Floating Assets		Free Reserves		Price	Yield %
	Fixed Assets	Trade Investments	Stock-in-Trade	Other Floating	Near Liabilities	Net Assets	Ordinary Capital			
Associated	20.5	3.4	39.7	34.3	153.7	31.3	74.1	40/-	5.00	
English Electric	24.8	Noni	38.2	37.2	183.0	13.5	18.7	31/-	6.45	
G.E.C.	26.6	24.7	22.4	26.1	172.0	38.5	132.0	80/3	4.98	
Johnson & Phillips	28.3	30.2	18.1	19.3	180.6	44.3	85.0	45/-	6.07	
British Insulated	23.7	6.0	25.5	44.8	218.0	43.3	117.0	82/6	4.84	
Callender's	15.7	39.6	15.3	29.3	169.0	45.0	167.0	60/-	5.00	
Crompton Parkinson	13.9	30.2	16.1	40.2	280.0	34.2	64.0	18/9	5.48	
Ever Ready	27.0	29.8	12.8	30.3	180.0	39.8	86.6	28/-	7.69	

carry-forward, range between 45 and 31.3 per cent of net assets. Differences of gearing are not great, except that for Associated and Johnson and Phillips the ratio of ordinary to total share and loan capital is very high. But, even in these cases, the cover of reserves is eminently satisfactory.

The average yield on electrical manufacturing shares was, according to *The Actuaries' Investment Index*, 5.68 against 6.42, for all industrial equities, at the end of March, and will not have altered greatly since then. The figures of the table show that the return obtainable on the leading companies places them in the category of gilt-edged equities. It is impossible to feel any confidence as to post-war price levels, or to guess what the official attitude will be towards those who take the risk of holding ordinary shares. These uncertainties, however, affect all equities, and, if the course of events is only reasonably favourable, the electrical equipment industry appears to offer opportunities for sound investment, if it does not promise a repetition of the almost spectacular rise in dividends and capital values which characterised the decade prior to 1940.

Finance and Banking

Fiduciary Circulation Raised

The expected adjustment of the fiduciary circulation to the long-term expansion in the demand for currency was made this week. The fiduciary total has been raised by £50 millions to £680 millions. As the active circulation rose by a further £899,000 over the week, the reserve of unissued notes increased by £49,101,000 to £56,892,000. At this level it should prove adequate to face any further increase in the demand for currency for some months. The Bank return's reaction to this increase in the fiduciary circulation follows the normal precedents. The £50 millions of Government securities backing the increase in the fiduciary circulation have been transferred from the Banking to the Issue Departments. As the additional notes which have now gone to swell the reserve in the Banking Department are withdrawn into circulation, the Bank will rebuild its depleted holding of Government securities, thus neutralising the otherwise contracting effect of the expanding circulation on the volume of bank cash. This process has already begun, for the Bank return shows a reduction of only £22,865,000 in Government securities. The process of rebuilding this item is thus proceeding much faster than the increase in the

circulation warranted. Consequently the volume of bank cash has expanded over the week, and bankers' deposits are up by £19,232,000 to the exceptionally high level of £131,754,000. This figure explains the considerable easing in the credit position which was apparent towards the middle of the week. With public deposits at only £13,648,000 on the eve of the May dividend distributions, it is probable that some further recourse to Ways and Means borrowing from the Bank was required in the second half of this week.

* * *

Treasury Deposits Top £500,000,000

The feature of the monthly floating debt return, showing the position on April 25th last, is the jump of £73,000,000 in Treasury deposits which has carried this item to £502,500,000. Otherwise there was surprisingly little change in the floating debt over a period in which it normally expands rapidly. The total of Treasury bills increased by nearly £24,000,000 between March 31st and April 25th, but a comparison of the "tap" and "tender" components of this total must cover the pre-

ceding two returns, as March 31st did not fall on a Saturday. Between February 21st and April 25th the issue of tap bills was almost stationary—moving from £1,369,430,000 to £1,370,380,000. This is a clear indication of the diminished rate at which the Exchange Equalisation Account lost gold and dollars during this period. The tender issue, on the other hand, has risen by £20,000,000 over this period. The usual monthly table summarising the returns of the financial year to date is given below:—

(£'000)			
Total ordinary expenditure ..	310,408	Total ordinary revenue	92,375
New sinking funds	326	Loans raised:—	
Loans repaid:—		3% Def. Loan 1934-38	45,721
4½% Conversion Loan	5	3% Defence Bonds	15,075
"Other Debt"	7	3% Savings Bonds	22,100
Public Depart. Advances	8,735	2½% National War Bonds	
Miscellaneous issues (net)	1,638	1946-48	27,650
Increase in balances	80	National Savings Certs.	
		(net)	13,450
		Floating debt (net):—	
		Treasury Bills	23,828
		Tap	
		Tender	
		Ways and Means Advances	8,000
		Bank of England	73,000
		Treasury deposits	
			321,209
			321,209

The items shown as net are given after allowing for repayments and receipts.

Britain's Payments to Canada

The speech made this week by Mr. Isley, Canada's Minister of Finance, when introducing the budget for 1941-42, provided further interesting information on the balance of payments between Canada on the one hand and Great Britain and the United States on the other. The deficit which Great Britain was called upon to meet in its payments with Canada over the year to March 31st last amounted, according to Mr. Isley, to \$795,000,000. Of this, \$250,000,000 was met by shipments of gold, \$337,000,000 by repatriation of Canadian securities previously held in England, and the balance of \$208,000,000 by the accumulation of sterling balances in London. It is interesting to compare these figures with the data showing the transactions of the sterling area with Canada for the first sixteen months of war and the corresponding estimates for 1941 which were recently published in the United States. These showed a deficit of \$555,000,000 for the sixteen months to the end of 1940, of which \$330,000,000 had been met by repatriation of Canadian securities and increase in Canadian sterling assets. The British Treasury, which provided these figures, estimated that the corresponding deficit for 1941 would amount to \$880,000,000. It is evident from Mr. Isley's speech that the greater part of this will have to be financed by Canada by accumulations of sterling assets. He pointed out that British purchases in Canada during the new financial year would total \$1,500,000,000 and added that no gold had been transferred from London to Canada since last December, and that the dollars required for British purchases in Canada were being provided in full by the Canadian authorities. The counterpart of this considerable help will either have to be accounted in special inter-Treasury transactions or will lead to an enormous growth in Canadian sterling funds seeking investments in the open market. The choice of method made by the two Governments concerned will be a matter of considerable importance to the London money market. As for Canada's deficit in its payments with the United States, this amounted to \$478,000,000 in the year to March 31st last. This figure will no doubt grow considerably in the current year, but the problem of financing it has probably lost some of its urgency as a result of the new arrangements with the United States for the exchange of war materials.

The Thaler Returns to Abyssinia

With the departure of the Italians from Abyssinia, the silver Maria Theresa thaler is returning to general circulation in that country. Large quantities of this traditional currency had gone to earth following the Italian invasion and the forced introduction of lire notes into circulation. The invader had decreed a rate of exchange of 4.50 lire to the thaler, and as the inhabitants instinctively felt that this ratio grossly overvalued the new notes, Gresham's Law rapidly came into play and

the bad currency drove out the good. Meanwhile, however, the supply of thalers has been fed by considerable minting of these coins, not only in the Italian mint, which obtained the original dies from Vienna, but in Britain, France and Belgium. The demand for this currency did not only come from hoarders in Abyssinia, but from contiguous territories in Africa and from Arabia and Aden as well. The thalers minted in this country were responsible for part of the coinage demand for silver which made itself felt in the London market on many occasions during the course of last year. These supplies of new coins have already made their way into the country in the course of the Patriot operations. Fresh supplies are now being brought into the country by more direct and open channels. They have been given a sterling rate of 1s. 10½d.—dictated largely by their silver parity, and are being exchanged for lire notes at the rate of 45 lire to the thaler.

War Damage Insurance

Information concerning the *modus operandi* of Part II of the War Damage Act, relating to the insurance of goods, has been issued by the Board of Trade. The business scheme, which is voluntary for manufacturers and traders with plant, machinery and equipment worth £1,000 or less, and compulsory above that figure, came into operation on April 17th; the private chattels scheme, which is voluntary irrespective of the value of the chattels, takes effect from May 1st. In both cases thirty "days of grace" are allowed within which application for insurance must be made, and the cover will apply retrospectively from the date of outbreak of war, subject to deduction from the claim of the premium which would have been paid if the insurance had been in force. The schemes will be worked through the fire insurance companies and Lloyds, acting as agents of the Board of Trade. There will be no free insurance under the business scheme, but householders who fail to effect insurance under the chattels scheme will be covered up to £200 if single or £300 if married, with an extra £25 for each child under sixteen. The rate of premium for the business scheme will be 30s. per cent., covering the period to September 30, 1941; the insurance must be effected for "full value," that is to say, for replacement value less depreciation, and any manufacturer who insures for less, apart from committing an offence, will under the terms of an "average" clause receive only a *pro rata* proportion of the loss. For cover under the chattels scheme, over and above the free insurance, the rates will be £1 per cent up to £2,000, 30s. per cent for the next £1,000 and £2 per cent for a further £7,000, the maximum sum for which protection can be secured being £10,000; these rates are for a period of one year from the date the insurance is effected. Under this scheme insurance will be on a "first loss" basis, and there will be a limit to the amount which can be recovered in respect of valuables of £100 or 20 per cent of the sum insured, whichever is the greater, as well as a limit on any single article (excluding motor cars) of £50 or 5 per cent of the sum insured, whichever is the greater; where no insurance is effected the limit in respect of any one article is £25. In general, payment under both schemes will be deferred until after the war, interest accruing at 2½ per cent, but earlier payment may be made under the business scheme if the total amount of the claim does not exceed £100; or the Board of Trade are satisfied that the replacement or repair of the goods is expedient in the public interest, and, under the private chattels scheme, if the total amount of the claim does not exceed £25; or the Board of Trade are satisfied that the payment in whole or in part should be made to avoid undue hardship. This brief outline does not embrace the insurance for farmers, for whom special arrangements have been made, and it should be mentioned that in the case of very small businesses, with equipment not exceeding £100 in value, this is insurable under the chattels scheme.

These schemes of insurance very largely meet the public needs, and have clearly been designed to satisfy conditions of easy workability; they have been thoroughly debated in Parliament, and it would be out of place to offer criticism at this stage. None the less, there are certain anomalies to which reference might be

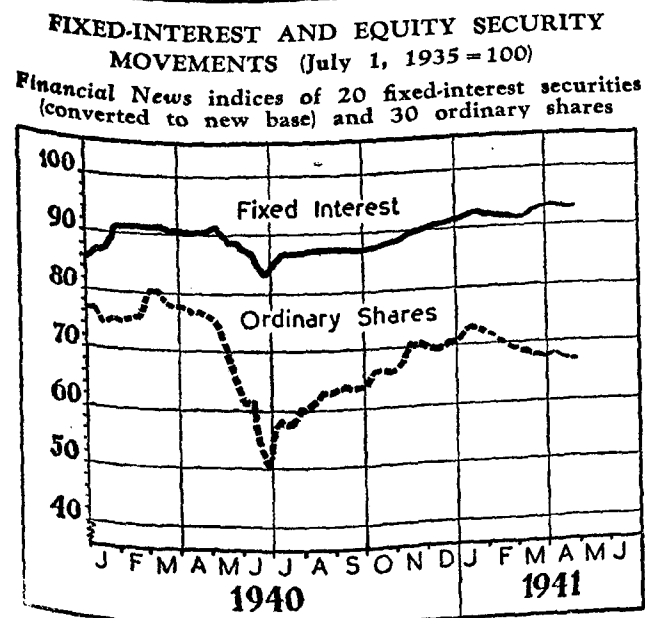
made. The Government have been much impressed with the difficulties of obtaining accurate figures of the value of goods to be insured, so much so as to have considered them an insuperable obstacle to the application of compulsion to small businesses and to households irrespective of size. These same difficulties, however, are encountered when considering the question of whether the insurance should be for "full value" or on a "first loss" basis, since in order to apply an "average" clause it is equally necessary to arrive at accurate assessments of the value of goods. There is thus evidence of inconsistency in making the insurance of goods worth £1,000 or less voluntary under the business scheme, at the same time requiring the insurance to be for full value; if it is possible to ascertain the value in order to apply average there should also be no barrier to insistence on insurance being compulsory, at least at a much lower figure than £1,000. The disadvantage in not so doing is, of course, that there will inevitably be a preponderance of applications from the more hazardous areas. Concerning the premiums for the chattels scheme, which, strictly speaking, is not a "first loss" but an "excess" arrangement, there is the curious feature that the rate increases with additions to the sum insured, although the risk obviously diminishes; this will deter many people from insuring for full value, deeming the premiums asked

excessive in relation to the relatively small risk of total loss. In regard to the provisions for immediate payment where the total amount of the claim does not exceed £100 under the business scheme or £25 under the chattels scheme, it would seem more equitable to pay all claims up to these limits, otherwise the person who suffers lightly recovers all his loss whereas the person suffering heavily recovers nothing. Notwithstanding that the insurance provided under the War Damage Act is in the nature of a social service, presumably some attempt will be made to balance income and outgo. In this connection there is provision in the Act for the annual compilation of figures of receipts and payments in such form as the Treasury may direct, the figures to be laid before Parliament. It is highly desirable, if these statistics are to possess any value as a basis for future premiums, that the various sections shall be carefully segregated; in the business scheme, for example, the figures for the voluntary insurance should be kept separate from those for the compulsory insurance, and similarly in the chattels scheme the accounts for the voluntary section, as well as being kept distinct from the free section, should be subdivided into the various groups for which different rates apply. Some kind of a classification by districts would also be invaluable when the results of the insurance come up for debate.

Investment

Prospects of Recovery

Another week of apathy on the part of investors has left the general level of prices much where it was. Daily fluctuations have, in general, been moderate and, in the Funds, compensatory for some time past. The indices of *The Financial News* show movements on the month which leave fixed interest stocks a shade higher and equities some 1.35 per cent lower. The general appearance of the curve for the latter suggests that the next major move should be upward. It may, however, be deferred for some time. The public, as citizens, appear to be prepared for a good deal more news of the sort which the past fortnight has brought, and there is reason to suppose that, as investors, they have discounted further reverses. The effect of reinvestment must, from now on, make itself increasingly felt, and there is not likely to be any pressure to realise at these



trial concentration puts a term to the period of doubt as to the methods to be adopted. News in either of these fields will give the investor a less uncertain basis for calculating values. The circumstances continue to suggest some rise in the Funds with a narrowing of yield margins throughout the list.

Recession in Savings

Figures of savings for April, so far as available, make a disappointing showing. Those given in the table below, taken in the main from the monthly Exchequer returns, show that, after the spurt of February and March, there has been a definite setback in small savings. Still, with the exception of March, the April average is the best since November, and the actual fluctuation is not abnormally large. This cannot be said of receipts from 2½ per cent National War Bonds and 3 per cent Savings Bonds, which are down by some 32 per cent on the month, to a level well below the average for the old 2½ per cent War Bonds alone for the second half of 1940. No doubt the fall owes a good deal to the fact that conversion of Deposit Receipts has fallen off, but, if the total contains nothing on this account, an annual rate of less than £700 millions is not a matter for complacency. It would probably be a mistake to suppose

		WEEKLY AVERAGE INCREASE			
		£ million			
Days		Jan.	Feb.	Mar.	Apr.
28		28	25	25	26
2½% Natl. War Bonds	9.47	13.82	11.84	7.45	
3% Savings Bonds	6.72	5.50	7.98	5.95	
Total	16.19	19.32	19.77	13.40	
Natl. Savings Certs.....	2.58	3.60	4.18	3.62	
3% Defence Bonds.....	2.91	3.61	4.37	4.06	
Savings Bank Deposits†	3.76	4.29	4.85	4.75†	
Total	9.25	11.50	13.40	12.43	
Grand Total.....	25.44	30.82	33.17	25.83	
Floating Debt.....	5.36	21.79	15.70	25.08	

† Weekly figures of Committee. ‡ Three weeks only.

that the fall in either section could properly be attributed to the increases in taxation announced at the beginning of the month. It is possible that the prospect of having less to spend later—coupled with some remaining doubts as to the maintenance of the existing price level—has tended to stimulate expenditure in the past month. It is, however, at least equally probable that any stimulus to spending, which has arisen, comes from the knowledge that, shortly, there will be far less to purchase. In either case, the factor should not be long lived. A force which may have had some importance in reducing actual applications, but not in diminishing

prices, except in case of necessity. Somewhat tardily, the Government is taking steps designed to reduce distress selling. With equity prices, in general, less than 5 per cent above the level of early September, when, in the public eye, the result of the Battle of Britain was not a foregone conclusion, the mere absence of news worse than is expected may well suffice to permit a recovery. The near future can hardly fail to bring more news of the Chancellor's EPT concessions, while the fixing of dates for the presentation of schemes of indus-

savings, is a desire for exceptional liquidity at a time of acute uncertainty. Also, over the extensive field where the increase in income tax is immediately effective, this would, of itself, account for some decline in saving, which ought again to be only temporary. Over a very wide portion of the field of small savings, the increase does not become operative for six or eight months, and a great effort is necessary at once if the result is to be even moderately satisfactory from the standpoint of the Exchequer.

* * *

Corporation Repayments

On Tuesday, nineteen of the twenty-three corporations listed on page 383 of *The Economist* of March 22nd, gave formal notice of repayment of loans maturing, in eighteen cases, on August 1st, and in that of Stoke-on-Trent three months later. A twentieth, Birkenhead, had already given notice to pay off half the amount outstanding, and will redeem the remainder out of its resources later this year or next. The other nineteen are, in fact, all making offers of conversion of the whole or part of the maturing stocks, it being understood that, in most instances, there will be some funds available for repayment out of the resources of the borrower. The Treasury has, in any case, undertaken to find any money required for such repayments, and the division of this sum between the borrower and the Exchequer is not a matter of the first importance to investors. The twenty operations cover a gross amount of stock of some £24,250,000, leaving three loans to be dealt with, namely £3,000,000 of Birmingham, £3,500,000 of Liverpool and £2,000,000 of Sheffield, all carrying 5½ per cent, the first two repayable October 1st and the last on six months' notice. The new stocks offered carry 3½ per cent repayable 1960-70 in every case, which the market still finds attractive. As already stated, the lists will remain open for conversion until a month before the maturity of the old stock, unless previously closed, because conversions have absorbed the whole of the new stock offered. Details are not yet available as to the amount of the latter in all cases, but the table below gives the figures for fourteen issues. It will be seen that, in all, ten corporations are providing £3,750,000 towards the liquidation of some £15 millions of debt. Business in the maturing loans will cease on July 1st—three months later for Stoke—and dealings in the new stock will presumably commence only on that day.

Maturing Stock	New 3½% 1960/70	Maturing Stock	New 3½% 1960/70
£ mn.	£ mn.	£ mn.	£ mn.
1-6 Bradford 4½ 1940/60	1-2	2-0 London 4½ 1940/85	1-7
0-5 Brighton 6 1940/50	0-4	2-0 Middlesbrough 6 1940/60	1-3
0-75 Derby 6 1940/50	0-75	0-6 Newport 6 1940/60	0-6
0-5 Hastings 4½ 1940/50	0-3	1-0 Plymouth 6 1940/50	0-95
3-0 Hull 5 1941/61	2-6	1-0 Portsmouth 6 1940/50	1-0
1-5 Kent 6 1940/60	0-9	0-5 Stoke 5 1941/51	0-2
3-0 Liverpool 5 1941/61	2-0	1-0 Swansea 6 1940/60	1-0

* * *

Stock Exchange Reform

With a month still to go before the date at which they come into force, the new regulations of the London Stock Exchange, for the ordering of relations between itself and the two outside bodies, the Associated Stock Exchanges and the Provincial Brokers Stock Exchange, are still some way from securing the general agreement for which it is hoped. London has confirmed the changes, after minor modifications, and they have been accepted by all but one of the leading provincial exchanges. But some of the latter and the PBSE, which consists of individual brokers attached to no exchange, are holding out in the hope of obtaining better terms. While it is diffi-

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.

cult to follow the reasoning of the smaller provincial exchanges, it is easy to sympathise with many of the individual brokers who perform a useful service in the small towns by disseminating information and acting as collecting agencies for business. They must, however, be prepared to face the fact that they, still less than the provincial exchanges, cannot exist by themselves; that they have not the responsibilities imposed by the expense of maintaining an exchange, and that the requirements for membership have, in the not distant past, been very elastic. The new regulations do not appear to damage them directly. They merely treat them less well than members of the Associated Stock Exchanges. There appears to be no means of immediate escape from the disabilities under which this group of brokers labours, but a further tightening up of conditions of membership, and an agreed limitation of spheres of influence between them and the Associated might lead to an early improvement in their status, to the benefit of all concerned and particularly of an important section of their own membership.

Company Notes

William Beardmore Profits

In 1940, the second year since the capital reconstruction, William Beardmore profits after depreciation and tax, except Schedule A income tax, declined from £513,674 to £375,094. After meeting normal expenses and prior charges, the surplus for ordinary capital dropped from £431,100 to £298,635, at which level, however, it represented a rate of 60.2 against 71.7 per cent and continued to provide a generous margin for the ordinary dividend of 10 per cent, paid for the second year in succession. After allocating £200,000 to war contingencies against £300,000 to general reserve, the carry-forward is raised from £166,147 to £215,145. There is no doubt that the company's plant has continued to run at capacity during 1940. Work in progress, less instalments received, is up from £1,312,646 to £1,942,625, including, as the auditors point out, certain Government contracts valued at estimated prices. Stocks have risen from £549,613 to £717,724. The high pitch of activity maintained last year, together with the acquisition of £91,800 of Government securities, has sharply reduced cash resources from £110,212 to £2,862. Moreover, a bank overdraft of £63,888 has been incurred, and, despite a fall in debtors of some £48,000, sundry creditors have risen by nearly £400,000 to £1,432,816. Total reserves, less £160,000 for preference dividend reserves, stand at £866,629, including depreciation of £366,629 against fixed assets of £1,698,815. It is clear that William Beardmore will be fully employed during the current year and that, as the directors pointed out in the previous report, little opportunity will be available for carrying out repairs. In the circumstances, it is especially to be regretted that stockholders are given no opportunity of knowing whether depreciation is adequate. The company's shortage of working capital is inevitable, and will, in all probability, be an entirely temporary condition. Net profits fell in 1940, mainly owing to EPT, and will tend to decline still further as taxation and costs rise, but there is every probability that the ordinary dividend can be maintained. The £1 ordinary stock, at 19s. 1½d. ex dividend, yields £10 9s. per cent.

* * *

William Whiteley Scheme

William Whiteley, the Bayswater store, have severed their connection with the Selfridge interests, and the holders of the 25 per cent ordinary capital have accepted a composition in respect of what remained of the latter company's guarantee of their dividend. The directors of Whiteleys now propose a scheme of capital adjustment, under which all special rights would be abandoned and the £450,000 of 25 per cent ordinary capital would rank *pari passu* with £22,500 of "A" deferred and £27,500 of "B" deferred shares. Of these, the bulk of the former are said to be in the hands of ordinary shareholders, while the latter have been taken over by those now in control. While the Selfridge guarantee of 25 per cent to holders of the ordinary was due to expire next year, their right to receive that sum,

RAND MINES, LIMITED

(INCORPORATED IN THE UNION OF SOUTH AFRICA.)

Dr.	BALANCE SHEET, 31st DECEMBER, 1940.				Cr.			
CAPITAL AND LIABILITIES					PROPERTY AND ASSETS			
To Capital Account—	£	s.	d.	£	s.	d.	By Freehold and Leasehold Properties, Reservoirs and Ventures	£30,204 15 7
Registered 2,200,000 shares of 5s. each	550,000	0	0				at cost, less depreciation ..	
Less 49,005 shares of 5s. each in reserve ..	12,251	5	0				" Shares, Debentures, etc., at or below market value at 31st December, 1940, or where unquoted at Directors' valuation—	
Issued 2,160,995 shares of 5s. each				537,748	15	0	368,309 Blyvooruitzicht G.M. Co., Ltd.	10s.
" Investment Reserve Account—							197,688 City Deep, Ltd.	£1
As per Balance Sheet 31st December, 1939 ..	3,035,476	3	3				85,407 Consolidated M.R. Mines & Est., Ltd.	£1
Less—Amount retransferred to Appropriation Account—For net amount realised on investments sold during the year in excess of investments purchased, etc.	73,608	11	1				571,746 Crown Mines, Ltd.	10s.
	3,561,867	12	2				83,200 Daggafontein Mines, Ltd.	5s.
Deduct—Depreciation written off investments less amount realised by the sale of investments in excess of the book value thereof ..	57,387	15	4	3,504,479	16	10	205,677 Durban Roodepoort Deep, Ltd.	10s.
" Shareholders—							143,119 East Daggafontein Mines, Ltd.	10s.
For Dividends declared but unpaid ..	833,155	0	0				121,191 East Rand Proprietary Mines, Ltd.	10s.
" Creditors, Accrued Liabilities and Contingency Reserve ..	794,447	12	10	1,627,602	12	10	27,362 Ferreira Estate Co., Ltd.	1s.
" Balance of Appropriation Account—							58,904 Goldenhuis Deep, Ltd.	17s. 6d.
Unappropriated ..				1,182,259	2	11	43,197 Grootvlei Proprietary Mines, Ltd.	£1
							131,366 Holfontein (T.C.L.) G.M. Co., Ltd.	A. 10s.
							83,528 Do. do. do.	B. 10s.
							42,148 Laco Proprietary Mines, Ltd.	5s.
							67,324 Libanon G.M. Co., Ltd.	10s.
							49,475 Marievale Consolidated Mines, Ltd.	10s.
							136,772 Modderfontein B Gold Mines, Ltd.	5s.
							100,259 Modderfontein East, Ltd.	£1
							206,995 New Modderfontein G.M. Co., Ltd.	10s.
							195,113 North Venezuelan Petroleum Co., Ltd.	13s. 4d.
							60,511 Nourse Mines, Ltd.	10s.
							37,130 Palmietkull G.M. Co., Ltd.	£1
							39,167 Pretoria Portland Cement Co., Ltd.	£1
							144,565 Rose Deep, Ltd.	£1
							56,250 Siparia Trinidad Oilfields, Ltd.	£1
							78,632 South African Coal Ests. (Witbank), Ltd.	10s.
							44,978 The Hume Pipe Co. (S.A.), Ltd.	£1
							12,400 The Anglo-Spanish Construction Co., Ltd.	£1
							£248,000 The Anglo-Spanish Construction Co., Ltd. (70% repaid) ..	6% Debs. Shares of
							92,000 Tocuyo Oilfields of Venezuela, Ltd. (in liq.) ..	£1
							65,783 Transvaal Con. Land & Explor. Co., Ltd.	10s.
							39,908 Trinidad Leaseholds, Ltd.	£1
							78,108 Van Dyk Consolidated Mines, Ltd.	10s.
							42,603 Venterspost G.M. Co., Ltd.	10s.
							12,830 Vlakfontein G.M. Co., Ltd.	10s.
							386,412 Vogelstruisbult G.M. Areas, Ltd.	10s.
							91,650 Welgedacht Exploration Co., Ltd.	10s.
							127,566 West Rand Consolidated Mines, Ltd.	£1
							46,287 Witbank Colliery, Ltd.	457,852 16 7
							Sundry Shares, Debentures, etc.	42,887 10 0
							Shares in Subsidiary Companies ..	4,012,023 16 8
							" Buildings, Plant, Stores, Vehicles, Furniture, etc.	£5,348 4 0
							" Debtors and Debit Balances—	
							Advances to Subsidiary Companies ..	£11,751 6 9
							Advances to other Companies, etc.	50,443 1 4
							Payments on account of mining supplies in stock and in transit for account of sundry mining companies ..	4,516 6 10
							Current Accounts, Loans and Payments in Advance, etc.	11,149 11 1
								77,860 6 0
								83,208 10 0
							" Deposits, Fixed and on Call ..	1,958,609 18 11
							" Government Stocks, etc.	259,525 5 2
							" Cash at Bankers and in Hand ..	12,343 5 10
							" Dividends to be received on Shareholdings ..	496,174 15 10
								2,726,653 5 9
								2,809,861 15 9
								£6,852,090 7 7
								£6,852,090 7 7

Dr.	APPROPRIATION ACCOUNT.				Cr.
		£	s.	d.	
To Taxation		41,788	3	9	
" Dividend Account—					
Dividend No. 74 of 80% on 2,150,995 shares of 5s. each (£537,748 15s. 0d.) declared 13th June, 1940	£430,199	0	0		
Dividend No. 75 of 80% on 2,150,995 shares of 5s. each (£537,748 15s. 0d.) declared 12th December, 1940	430,199	0	0		
		860,398	0	0	
" Balance Unappropriated—31st December, 1940—		1,182,259	2	11	
Carried to Balance Sheet ..					
		£2,084,445	6	8	

NOTE.—The above Accounts have been drawn up in accordance with the normal practice of the Company, any provision for the depreciation of Property, Shares and Debentures, etc., and the result of transactions therein during the year having been dealt with through the Investment Reserve Account shown in the Balance Sheet.

£2,084,445 6 8

The Full Report and Accounts may be obtained from the London Secretaries, A. MOIR AND CO., 4, London Wall Buildings, London, E.C.2.

out of 37/40ths of the available profits, did not, and what the directors are, in fact, suggesting is that holders of these shares should abandon the whole of their cumulative rights and receive in compensation a participation in profits in excess of 25 per cent, from which they are at present debarred. Over 10 per cent was earned on the ordinary capital during the quinquennium 1934-38, whereas nothing was paid on the deferred, so that the former would seem to be entitled to some preferential or cumulative right. Past performance suggests that profits of 25 per cent are highly improbable and that compensation by this means is likely to be long in materialising. In putting forward their scheme, the directors state that it will benefit holders of the ordinary capital more than the granting of any reasonable cumulative rights, but what is reasonable must be determined, in part at least, by existing rights. Although the amount of dilution threatened is slight, the principle of concessions without real compensation is faulty. If the new management feel, as they very well may, that the reward promised by their holding of "B" deferred capital is too small, they would be justified in demanding a percentage on any increase in net profits above those of the period 1934-38.

West African Anxieties

The recently issued reports of *Gold Coast Selection Trust* and of two of the mines in which it has a substantial interest, *Marlu Gold Mining Areas* and *Amalgamated Banket Areas*, provide much information as to the influence of war conditions on West African profits. The three companies have adjusted their financial year to September 30 so that the periods covered by the latest accounts are 18 months for *Gold Coast Selection* and *Amalgamated Banket* and 14 months for *Marlu*. In all cases, the profits position is somewhat disappointing. *Marlu*, with total income at £886,011, only slightly above the £880,531 earned in the 12 months to July 31, 1939, is liable for an increase in tax liability and directors' additional remuneration from £100,000 to £342,000. The total dividend of 10 per cent less tax against 25 per cent tax free is not completely covered by equity earnings at 9.0 per cent. *Amalgamated Banket*, not yet in full production, was forced to borrow £360,266 for further development from *Gold Coast Selection*. Despite an increase in gross receipts from £248,254 for 12 months to £387,386 for 18 months, a steep rise in mine expenses from £170,092 to £282,860 is responsible for a deficit for ordinary capital of £20,132, against a surplus of £21,076. The failure to pay a final ordinary dividend is mainly responsible for the drop in total earnings of *Gold Coast Selection* from £374,183 in a year to £266,754 in 18 months. The ordinary shares of the trust receive 10, against 15, per cent tax free. It is satisfactory that the chairman, Mr H. G. Latilla, is able to state that quoted investments—mainly in five leading West African mines—with a nominal value of £1,345,382 stood at a market valuation in London on April 22, 1941, of £2,125,000. West African gold mining has a number of important difficulties to contend with in the immediate future. Since most of the mines are very newly developed, much plant has still to be acquired at inflated wartime costs and to be transported at exaggerated freight and insurance rates. The mines are exceedingly ill placed from the standpoint of EPT. Moreover, there is always the latent possibility that hostilities

may develop in the vicinity, which might mean loss of dividends for some years. The 5s. ordinary shares of *Gold Coast Selection*, at 8s. 9d., offer a yield of £5 17s. 7d. per cent tax free. *Marlu* 5s. shares, at 4s. 6d., yield £11 15s. 3d. per cent.

Rubber Company Results

The results of four typical rubber companies, whose profits are analysed in the following table, indicate that net earnings during 1940 have, in general, shown a considerable improvement on those of the previous year, to which, owing to shipping problems, palm oil output made little contribution. Of the four selected companies, those operating in Malaya, *Highlands* and *Lowlands* and its offshoot *Ayer Kuning (F.M.S.)*, have shown less spectacular improvement during the past year, partly because they were already in a more profitable trading position. The two Sumatra companies, *Sungei Buaya* and *Ampat (Sumatra)*, show a remarkable increase in equity earnings, and both these companies have raised the payments on ordinary capital.

Company (years ending December 31)	Total Profits	Earned for Ordinary		Dividend	Present	
		Amount	Rate		Price	Yield
<i>Highlands</i> :						
1938	74,823	22,126	9.0	5	21/3*	9 8 2
1939	82,726	22,544	11.7	10		
1940	111,558	27,942	18.0	10		
<i>Ayer Kuning (F.M.S.)</i> :						
1938	38,444	8,596	8.5	6	23/0*	8 8 4
1939	43,539	9,872	11.3	10		
1940	58,424	12,082	17.3	10		
<i>Sungei Buaya</i> :						
1938	75,848	19,584	11.9	6	8/0*	8 11 5
1939	67,557	9,717	6.7	2 1/2		
1940	85,845	16,316	13.5	3 1/2		
<i>Ampat (Sumatra)</i> :						
1938	27,374	9,498	6.9	4	—/0*	16 13 4
1939	25,558	7,789	6.4	1 1/2		
1940	50,769	17,756	16.7	6 1/2		

* Ex dividend.

The improved results are, of course, largely due to the rise in the average release permitted by the International Rubber Regulation Scheme from 47 1/2 to 72 1/2 per cent in the case of the Sumatra companies, whose year runs to September 30th, while the others enjoyed a release of 82 1/2 per cent of standard production. The rise in output was, in general, sufficient completely to absorb the year's increase in costs and the average selling price of rubber was approximately 1d. per lb. above the 1939 level. All companies have liberally increased allocations to estate reserves: *Highlands* from £3,000 to £10,000 and *Ampat (Sumatra)* from £3,000 to £8,000. Higher taxation has been a heavy charge on increased profits and, although none of the companies discloses the total payable in various forms of taxation, *Highlands* is raising the allocation to tax reserve from £13,000 to £20,000, while *Ampat* is transferring £6,000 against nil for the same purpose. It is, of course, becoming increasingly difficult for companies in the East to carry on direct trade with the United Kingdom, but the determination of the United States to continue the creation of a substantial reserve stock should go far to compensate for the loss of European markets during the current year. At present prices, which have suffered in the general setback of recent weeks, yields are high, ranging between £8 and £17 per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

MARKETS remained generally firm during the present week, although business was on a small scale. Buying was concentrated in the gilt-edged market, but the industrial section was also more cheerful than of late. Commodity share markets turned dull on fears of an extension of the combat area. Despite the encouragement derived from the Prime Minister's week-end speech, and the considerable volume of money awaiting investment, business and military uncertainties prevented dealers from entering into large commitments.

The gilt-edged market, which closed last week quietly steady, enjoyed a modest rally on Tuesday, and a number of gains were followed up in midweek. Demand was assisted by the repayment of LCC 5 per cent stock, 1940-60. The market was led, on Tuesday, by 3 1/2 per cent Conversion, which gained 1/8. Four per cent Consols and 3 1/2 per cent Consols 1/8. Later in the week, demand continued to be centred on undated investment stocks. The foreign bond market moved somewhat irregularly. After some weakness on Monday, Greek issues enjoyed moderate support, despite the German invasion, on hopes that the next coupon presentations will be honoured. Egyptian Unified were

firm, gaining 1/4 point on Tuesday. Chinese bonds attracted some attention, and Japanese issues were sold in a small way, the 4 per cent issue of 1899 and the 5 per cent issue of 1924 losing 1/4 on Tuesday. Elsewhere in the market there was little business.

Home rail issues remained firm, although few quotations were altered during the week and business was exceptionally small. Among the ordinary stocks, Great Western fell 1/4 on Monday, while LMS gained the same amount the next day. Before the week-end, some selling of London Transport "C" stock and of the senior issues was

(Continued on page 599)

Industry and Trade

Progress of Concentration

Necessary though it is to eke out resources of labour and factories, the concentration of the production of consumption goods is beset with difficulties. On the whole, however, it appears that progress is being made with the task. It is understood that schemes have been submitted to the Board of Trade by firms which employ about 25 per cent of the labour force in industries covered by the Limitation of Supplies (Miscellaneous) Order. In order to speed up concentration, Mr. Oliver Lyttelton, President of the Board of Trade, has now fixed definite time limits for the submission of voluntary schemes. For the industries covered by the Limitation of Supplies (Miscellaneous) Order these dates are as follows:—

May 17th	May 24th	May 31st
Toilet preparations	Toys	Fountain pens
Gloves (except wool-linen knitted)	Lighters	Pottery
Photo goods	Umbrellas	Cutlery
Sports goods	Plastics	Jewellery
Musical instruments	Combs	Linoleum
	Carpets	Leather goods
	Lace	Corsets
	Hosiery (incl. woollen knitted gloves)	Braces

(Continued from page 598)

evident. In the foreign rail market, Argentine issues were generally offered. Canadian Pacific was in steady demand, the preference issue gaining 1/4 on Tuesday, followed by 2 points in mid-week.

The industrial market displayed considerable buoyancy, although turnover was not large. The demand for heavy industrials continued to be good, and many leading issues, including Baldwins, Bolsover, Guest Keen, Sheepbridge, and Stewarts and Lloyds improved by a few pence. Among miscellaneous industrials, Murex attracted attention, and among breweries, which generally remained steady, Distillers showed improvement. Motors and aircraft were moderately favoured, in particular Raleigh Cycle Holdings and Rolls Royce. There was little business in the textile or tobacco sections. Electrical supply preference issues were in demand, but jobbers continued to be short of stock. Cable and Wireless preference rose 1 1/2 on Monday, followed by a further 1/4 point the next day.

In the commodity share markets, the main features were a steady selling of tin and rubber shares in an attempt to discount the possible spread of the war to Malaya. Among tin shares, such market leaders as Mawchi, Tronoh and Malayan Tin Developments suffered. Among rubber issues, Pataling and Glenshiel lost 1s. 3d. on Monday, although the latter recovered 7 1/2d. the next day. Tandjong and Kepong also suffered. At the beginning of the week, kaffirs were firm, but turnover slight. Later, a number of issues, including City Deep, Durban Deep, E. Daggas, Springs and Western Reefs showed some improvement. *West African* issues turned dull on the results of *Gold Coast Selection* and the associated companies, and, among copper shares, Rhokana was sold on the reduction of the interim. Oil shares withstood the threat constituted by deterioration of the military situation in the Middle East with considerable firmness. Before the week-end, both the ordinary and preference issues of Anglo-Iranian improved, and Attock, Burmah and Trinidad Petroleum Developments all gained ground. This week's support for Anglo-Iranian ordinary continued, although the preference issues, as well as the Shell Transport preference stocks, reacted moderately.

The list does not include cotton and wool textiles, footwear and paper, for example; for these industries concentration is being carried out with the assistance of the raw material controllers concerned. In the case of the cotton industry, for example, May 15th has been fixed as the limiting date for the submission of voluntary schemes in the spinning section and May 27th in the weaving branch, while the textile finishing trades have been given time until June 10th. Firms that fail to formulate schemes by these dates will presumably have to accept arrangements made for them by the Government.

Control of Factories

The appointment of Sir Cecil Weir as Controller-General of Factory and Storage Premises has now been supplemented by the appointment of Sir Thomas Barlow as Deputy Controller-General and Factory Controller and of Mr Philip Warter as Storage Controller. There are also to be ten regional controllers, of whom nine have already been appointed, and to whom a very wide

"FINANCIAL NEWS" INDICES

1941	Approx. Total Bargains in S.E. List	Corres. Day 1940	Security Indices
			30 Ord. shares* 20 Fixed Int.†
Apr. 24...	2,235	4,749	66.3 127.9
" 25...	2,379	4,496	66.6 127.9
" 28...	2,793	5,075	66.5 127.7
" 29...	2,302	4,078	66.7 127.7
" 30...	2,301	3,818	66.8 127.8

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1941; highest, 73.7 (Jan. 17); lowest, 66.3 (Apr. 24). 20 Fixed Int., 1941; highest, 128.8 (Apr. 2); lowest, 126.1 (Jan. 2).

New York

AGAIN this week, taxation and labour fears combined with anxiety regarding the course of the war to maintain business at a very low level on Wall Street. After a slack close before the weekend, volume improved somewhat on Monday, and sentiment was encouraged by the tone of Mr. Churchill's overnight broadcast. Price movements, however, continued to be irregular, and no definite trend developed. There was intermittent support for steel and chemical issues, and General Motors, General Electric, International Nickel and U.S. Steel all enjoyed fractional gains at the beginning of the week. On Wednesday, markets were dull and many leading issues were subject to selling pressure.

The *Iron Age* estimates steel mill activity at 94 per cent of capacity, against 96 per cent last week, to which it had declined from 98.5 per cent.

New York Prices

Total share dealings: Apr. 23, 470,000; Apr. 24, 490,000; Apr. 25, 420,000; Apr. 26, 160,000; Apr. 28, 310,000; Apr. 29, 510,000.

	Close	Close
	Apr. 22, 1941	Apr. 22, 1941
1. Railroads		
Balt. & Ohio	8 1/2	8 1/2
Ch. & N.Y.	23 1/2	23 1/2
Illinois Cent.	6 1/2	6 1/2
N.Y. Cent.	11 1/2	11 1/2
Northern Pac.	5 1/2	5 1/2
Pennsylvania	23 1/2	23 1/2
Southern	12 1/2	12 1/2
2. Utilities, etc.		
Amer. Tel.	155 1/2	155 1/2
Amer. W'wks.	4 1/2	4 1/2
Pac. Light	34 1/2	34 1/2
Pub. Sv. N.Y.	24 1/2	24 1/2
Sub. Cal. Ed.	23 1/2	23 1/2
United Gas	6 1/2	6 1/2
3. Commercial and Industrial		
Amer. Metal	16 1/2	16 1/2
Am. Roll. Ml.	12 1/2	12 1/2
Am. Smelting	35 1/2	35 1/2
Anaconda	22 1/2	22 1/2
Briggs	18 1/2	18 1/2
Colanese of A.	10 1/2	10 1/2
Chrysler	56 1/2	56 1/2
Curt. Wr. "A"	24 1/2	24 1/2
Eastman Kdk.	125 1/2	125 1/2
Gen. Elec.	29 1/2	29 1/2
Gen. Motors	37 1/2	37 1/2
Inland Steel	44 1/2	44 1/2
Int. Harvest	20 1/2	20 1/2
Int. Nickel	84 1/2	84 1/2
Liggett Myers	12 1/2	12 1/2
Nat. Dairy	18 1/2	18 1/2
Nat. Distillers	51 1/2	51 1/2
Stqn. Oil N.Y.	51 1/2	51 1/2
Proct. Gamble	67 1/2	67 1/2
Shell Union	12 1/2	12 1/2
Socony Vac.	8 1/2	8 1/2
Stqn. Oil N.Y.	34 1/2	34 1/2
20th Cen. Fox	50 1/2	50 1/2
U.S. Steel	50 1/2	50 1/2
West. Hose. El.	28 1/2	28 1/2
Woolworth	31 1/2	31 1/2
Yngsta. Sheet	31 1/2	31 1/2

STANDARD STATISTICS INDICES

(1926 = 100)

WEEKLY AVERAGES

	1941	1941	1941	1941	1941
	Low Apr. 23	High Jan. 15	Apr. 9, 1941	Apr. 16, 1941	Apr. 23, 1941
347 Industrials	84.0	86.0	86.8	85.4	84.0
32 Rails	82.4	83.0	82.8	82.6	82.7
40 Utilities	69.8	78.7	72.7	71.3	69.8
419 Stocks	72.4	82.1b	74.5	73.6	72.4
Av. yield*	6.71% (c)	6.13% (b)	6.52%	6.59%	6.71%

* 50 Common Stocks. (a) Jan. 22. (b) Jan. 8. (c) Feb. 11. (d) Feb. 18.

DAILY AVERAGE 50 COMMON STOCKS

Apr. 17	Apr. 18	Apr. 19	Apr. 21	Apr. 22	Apr. 23
93.00	91.70	91.40	91.40	90.80	91.90

1941 High: 105.80, January 10. Low: 90.80 April 22.

Capital Issues

Week ending May 3, 1941	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
Net Savings Certs.†	3,560,411	...	3,560,411
3% Defence Bonds(a)	2,785,350	...	2,785,350
2 1/2% Nat. War Bonds†	2,132	...	2,132
Ditto 2nd issue†(w)	6,909,549	...	6,909,549
3% Savings Bonds†(t)	3,789,163	...	3,789,163

† Week to April 22, 1941. Total sales, Nov. 22, 1939, to April 22, 1941, £267,048,771. † Week to April 22, 1941, making total since June 25, £444,435,251. (a) Total sales to April 22, 1941, £263,070,845. (t) Total sales to April 22, 1941, £107,918,977. (w) Total sales January 2, 1941, to April 22, £171,995,248.

Year	Including Conversions £	Excluding Conversions £
1941 (New Basis)	419,592,149	419,592,149
1940 (New Basis)	750,357,680	397,402,547
1941 (Old Basis)	419,037,962	419,037,962
1940 (Old Basis)	739,798,765	387,043,632

Destination (Conversions Excluded)

Year	U.K. £	Brit. Emp. Foreign ex U.K. Countries £
'41 (New Basis)	417,043,046	2,540,103
'40 (New Basis)	396,923,115	479,432
'41 (Old Basis)	416,537,962	Nil
'40 (Old Basis)	336,901,176	142,456

Nature of Borrowing (Conv. Excl'd.)

Year	Deb. £	Prof. £	Ord. £
'41 (New Basis)	416,930,635	34,460	2,627,054
'40 (New Basis)	386,722,966	627,595	10,021,936
'41 (Old Basis)	416,537,962	Nil	2,500,000
'40 (Old Basis)	346,029,509	77,500	836,632

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

discretion is to be delegated. A register of factory and storage premises is being compiled, and the factory section is expected to be ready in about a month. It will contain all the particulars necessary to show which premises can most readily be made available for other purposes, and the particular purposes for which they are most suited. After a date to be announced shortly, all requisitioning of premises by Government departments will be subject to the consent of the Control, so that it can be regulated. The Control, in allocating premises, will bear in mind the importance of securing the rapid resumption of production and the importance of wide dispersal of storage premises. There is to be close collaboration with the Ministry of Labour, since it is of the utmost importance that departments requiring premises should be given them in districts where there is a supply of labour suitable for their purpose. The Control will not provide premises for private persons, but will issue permits to private persons engaged on production for Government departments, if their application is supported by the department on whose behalf they are working. An Order is to be issued to prevent unauthorised transfers by private firms to other premises, and meanwhile the Control appeals to them to stay where they are, and warns them that by moving otherwise than under permit from the Control they run the risk of finding their new premises requisitioned at any moment. This machinery seems well designed to secure the best use of available accommodation, if only its working can be kept free from red tape. If, on the other hand, the familiar delays occur at every stage of the process involved in applying for and obtaining new premises, it has formidable possibilities of wasteful obstruction.

* * *

First Aid for Bombed Houses

In recognition of the urgent desire felt by every bombed-out person, however luxurious his temporary accommodation, to return to his own home, the Government has established an effective priority for repairs to damaged houses and an effective system for carrying it out. The responsibility for all such repairs rests with the local authorities, and the responsible Government department is therefore the Ministry of Health, which works in collaboration with the Ministry of Works and Buildings. The latter Ministry directly employs emergency building squads, comprising some five thousand men who were taken out of the Army at the time of the first Coventry raid. Somewhat more than half of these are in London, the rest are in the provinces, where they are moved from town to town as the need arises. In London there are fifteen depôts, equipped with tools and materials, and the men are organised in squads about a hundred strong. When any local authority is overwhelmed by the amount of repairs to be done, it approaches the Ministry of Health, which appeals to the Ministry of Works and Buildings for the help of these squads. Their work is strictly confined to first-aid repairs; decorations and other work not strictly necessary to render the building habitable are not permitted, for the great object is to rehouse people as quickly as possible and to prevent further damage by the weather. Already the time lag has been very greatly reduced.

*

Invaluable as this squad system is, it cannot tackle more than a small proportion of the work to be done. The bulk is done by the local authorities through ordinary building contractors. The Ministry of Works and Buildings has an Emergency Repairs Department whose job it is to organise the employment of contractors for this purpose. With the consent of the contractor and of the person to whom he is for the time being under contract, the whole unit is switched off when necessary on to first-aid repairs for bombed houses. The difficulty here is the contractors' fear of reprisals from their more powerful customers, but the Government has appealed to the public to be reasonable in this matter, and will if necessary take steps to protect contractors against disgruntled customers. Public opinion would be so overwhelmingly against any individual or company which sought to put its private improvements before the needs of the homeless that such protection should not be difficult. Already the building contractors' organisations in Greater London have made a willing response to

the Government's appeal to hold themselves ready to give assistance, and an appeal has now been made to the contractors outside the organisation to do likewise. A similar system is being adopted for the provinces, where the problem is much less acute and complicated.

* * *

Distribution of Consumption Goods

Among the many inevitable difficulties arising out of the limitation of supplies are two which are capable of adjustment, and these are at last receiving a measure of attention. Evacuation has so completely altered the relative needs for goods in different districts that adherence to a pre-war basis for quotas leads to acute shortage in reception areas and relative abundance in evacuation districts. This is particularly marked in the case of children's clothing, since the majority of evacuees are children, but there is also a general shortage of children's clothing which threatens to become acute, because, although there was far less scope for economy in children's wear than in that of adults, the same quotas were applied to both. There is less scope for wartime economy, both because more economy is exercised in children's than in adults' clothes in peace time, and because the growth of children sets a much more rigid limit to the length of time they can wear their clothes. Already big stores which normally carry heavy stocks are completely sold out of certain sizes of even the most essential garments, and the small shops are in even worse case. The President of the National Children's Wear Association, at a recent meeting called to discuss this situation, said that the state of available stocks was far worse than was generally realised and that unless the Board of Trade and the Ministry of Supply took action the situation next winter would be critical. He suggested that 2½ per cent of the adult quota should be transferred to children, and, failing that, that all clothing for children up to the age of fourteen should be decontrolled. So far the only action taken by the Board of Trade in this matter has been an appeal to manufacturers not to concentrate on adult lines. To meet the local shortages of goods other than foodstuffs caused by evacuation, the Board of Trade has issued to Trade Associations confidential suggestions based on population movements, as a guide to wholesalers in scaling up or down their supplies to particular areas. These gentle admonitions might have sufficed to tide the country over a short war. Most people are now accepting the fact that the war is likely to last long enough to require much more drastic measures, and the sooner these are adopted the better. To parents who are unable to find mackintoshes, school trousers or winter gloves for their children, it is infuriating to see in shop windows costly nightdresses embodying hours upon hours of labour, and to read in the daily papers articles showing how, by the exercise of great ingenuity and the purchase of a good deal more material, a really patriotic young woman may achieve the egregious sacrifice of wearing part of a dress or suit for a second season.

* * *

Shipowners Close Their Ranks

The Chamber of Shipping and the Liverpool Steam Ship Owners' Association have decided to arrange for closer collaboration in order to ensure "unity of action and policy on questions of major importance to the industry as a whole." A General Council of British shipping, representative of both organisations and of all sections of the industry—liner, tramp, coasting and tanker—is to be set up forthwith. Its functions are to include the co-ordination of the views of the different sections of the industry. In addition, it is proposed to set up a Liner Committee representative of the interests of the two organisations. So far as tramp vessels are concerned, the industry already has the requisite organisation in the Standing Committee of the deep-sea tramp section of the Chamber of Shipping. Mr. D. Maurice Hill, the general manager of the Chamber of Shipping, and Mr. Martin Hill, a joint secretary of the Liverpool Steam Ship Owners' Association, have been appointed to act as joint secretaries of the new General Council and Liner Committee. In view of their criticism of certain aspects of the Government's shipping policy, the closing of the shipowners' ranks is not surprising.

Animal Rationing

The Ministry of Agriculture has made various changes in the rationing regulations for the May-July period. Farmers must register in advance with not more than four distributors, and must deposit their coupons within fifteen days of issue. Supplies are so limited that the summer ration scale must be fixed with the greatest economy, but because of the backwardness of the grazing season, dairy cows will be given an allowance of ¼ cwt. of concentrates in May, with an additional ½ cwt. in Scotland and certain northern English counties. The value of the ration unit, which had been temporarily reduced in April, is to be restored to 1 cwt. Home-grown grain stocks on farms are not taken into account in fixing the summer rations. No coupons will be given in exchange for grain sold after the end of April, but farmers who have given undertakings to sell grain must fulfil them. Dairy cows may, on application, receive allowances for May based on their production in March. These range from 28 lb. for a cow averaging 1½ to 2 gallons per day to 56 lb. for a cow averaging over 2½ gallons. Special food for calves under six months is available at the rate of 42 lb. per calf per month, in order to economise milk. Rations are also provided for young pedigree bulls; stall-fed cattle which are not yet marketable; goats with a yield of over six pints a day; kids being reared for milk, pedigree ram lambs; pigs; poultry and horses used for agricultural purposes where there is insufficient food on the farm. These rations are in all cases designed only to supplement the food which farmers have constantly been exhorted to grow for themselves, or in the case of poultry and pigs, to supplement kitchen scraps and swill. It must be clear by now to every farmer that only by aiming at the highest possible degree of self-sufficiency will he be able to carry any substantial proportion of his stock through next winter.

* * *

Diamond Trade Difficulties

For the first time in the history of the international diamond industry steps have been taken in London to finance uncompleted export transactions of cut and polished diamonds. Hambros Bank has agreed to advance between 60 and 70 per cent of the value of finished diamonds exported from this country under Board of Trade licence to North American destinations. The remaining 30 to 40 per cent are paid to the exporter after the final sale of the stones. These facilities will greatly help the recently enlarged British diamond cutting and polishing industry, which naturally has not so far been able to accumulate the necessary reserves to finance its

transactions over a longer period. The credit scheme will assist British exporters in securing good prices in the United States, where in the past, sales at the first opportunity have often been necessary. British exporters should have no difficulties in obtaining favourable prices for their finished stones in North America as the supply of cut and polished diamonds has been seriously curtailed through the German occupation of Belgium and Holland, which normally are responsible for over 90 per cent of the world's cutting and polishing transactions. The extension of the cutting and polishing facilities in the past twelve months in Great Britain, the United States, South Africa and Palestine has not been very impressive, for supplies of skilled diamond workers outside the German sphere of influence are very restricted and the training of these workers requires many years.

*

Meanwhile the restricted cutting and polishing facilities are keeping down sales of raw diamonds. At the London "sights" in the first four months of this year only about one-third of the pre-war turnover has been achieved, although recently sales of industrial diamonds, prices of which were reduced by 20 per cent in April, have been fairly large. As normally industrial stones cover two-thirds of the quantity but only one-fifth to one-quarter of the value of total diamond sales, the comparatively large sales of industrial stones cannot counterbalance the declining sales of luxury diamonds. Consequently the position of the diamond mining industry for the remainder of this war will continue to be strained, and it is not surprising that all mines in the Kimberley district of South Africa have been closed down, while production in the other diamond fields of the world has been substantially curtailed. It is true, in addition to the London sales, some parcels of diamonds have been shipped directly to the United States from South Africa in recent months, but endeavours to transfer the chief selling centre of the industry from London to the Cape or the United States have so far failed. Even Brazil, after withholding its shipments to Great Britain during the greater part of last year, returned to the London market early this year. Whether the position will be changed in future remains to be seen. At any rate the bulk of the Diamond Corporation's stock of diamonds, which forms the chief basis of current sales, is kept in London. Moreover, the difficulties of the international diamond industry are in no way connected with the fact that London finds itself in the front line of the war, so that little could be gained, while a well-running selling organisation would be lost by any transfer of the diamond syndicate from London to another centre.

COMMODITY AND INDUSTRY NEWS

TIN prices have been easier, following lower prices in the United States, and the Ministry of Supply's lowered cash selling price. Standard cash closed at £269 5s.—£269 10s. per ton on Wednesday, compared with £270 15s.—£271 a week earlier. The three months quotation was £266 15s.—£267 per ton, compared with £266 15s.—£267. The latest dates for submitting voluntary arrangements for the concentration of industry have been announced by the President of the Board of Trade for some industries.

Rubber Controller.—The Ministry of Supply has announced the appointment of Sir Walrod Sinclair as Rubber Controller. It is understood that the appointment will not affect the position of the rubber market, at any rate for the time being. It is hoped that a fuller statement on the Control will shortly be made. Rubber prices were considerably weaker, a fact probably due in some measure to the announcement of the appointment. Wednesday's closing price for spot was 14½d. per lb., compared with 14½d. a week earlier.

Cotton Trade and Concentration.—Throughout the past week the business done in yarn and piece goods has been decidedly small. The concentration of production plan is now taking a more definite shape. In the spinning section

the latest date for submitting voluntary schemes is May 15th and in the weaving section May 25th. The Cotton Board hopes that firms in different districts will arrange by mutual agreement which plants should be stopped. The Cotton Controller has released 30,000 bales of American barter cotton, of which 24,000 bales will be allocated in Liverpool and 6,000 bales in Manchester. Exporters have received their quotas, but owing to uncertainty as to weaving production fresh business has not been easy to arrange. Cloth inquiry for several foreign outlets has been fairly substantial, but only isolated orders have been booked.

Orkney and Shetland Wool Controlled.—The Control of Wool (No. 16) Order, which came into force on April 26th, has the effect of bringing under control raw wool produced in the Orkney Islands, the Shetland Islands, and the Outer Hebrides in so far as it is not retained for manufacture in those islands. No raw wool produced in these islands may be moved out of them except under a licence granted, or a direction issued, by the Minister of Supply; nor may the first delivery be taken on the mainland except under similar authority. After the first delivery of the raw wool on the mainland it will become subject to the same licensing procedure as applies to other raw wool in the United Kingdom.

Flower Bulbs for Export.—The sale of tulip, hyacinth and Dutch and Spanish iris bulbs is prohibited in the home market, by a Board of Trade Order, and it is hoped that they will be exported to the United States and Canada. It is thought that the whole supply of these bulbs can find a market across the Atlantic, as much larger quantities were originally bought from the Netherlands than can be supplied from this country. There is a Bulb Export Group, and growers who have no experience of export can be assisted.

Textile Designs Exhibition.—The Colour, Design and Style Centre of the Cotton Board opened an exhibition on April 29th at the Manchester Art Gallery. The main object of the exhibition is to show that there is a pool of talent in the country which can be drawn upon to bring fresh ideas to designing for fabrics. The Board invited a number of artists to contribute to the exhibition, and among them there are many who have had no previous experience of textile designing. Many well-known names are included in the list of exhibitors, and their designs and names should do much to assist the export of cottons.

Food.—The distribution of summer oranges will be undertaken by the South African Co-operative Citrus Exchange

(Continued on page 605)

COMPANY MEETINGS

ALLIANCE TRUST COMPANY, LIMITED

SATISFACTORY RESULTS

DIVIDEND OF 25 PER CENT MAINTAINED

MR JAMES PRAIN'S SPEECH

The annual ordinary general meeting of the Alliance Trust Company, Limited, was held on Friday, the 25th ultimo, in the company's registered office, Meadow House, 64, Reform Street, Dundee.

The chair was taken by Mr James Prain, and after formal evidence of the proper calling of the meeting had been submitted, the secretary, Mr Alan L. Brown, read the auditors' report to the shareholders.

The chairman, in moving the adoption of the annual report, said: It is now my duty to submit for your approval the directors' report and accounts for the past year.

SATISFACTORY RESULTS

The gross revenue from the investments amounts to £649,000, as compared with £668,000 a year ago, a result which I trust you will consider satisfactory in the circumstances. We propose, with your approval, to repeat last year's distribution on the ordinary stock of 25 per cent., which is the highest rate of dividend paid by the company, and is now paid for the fourth year in succession, and in doing so we have not neglected the reserves, for which again ample provision is made.

On this occasion we do not submit a valuation of the investments, a decision which was made after careful consideration. We are of the opinion that in the majority of securities free markets do not exist, and quotations, therefore, are apt to be misleading. In addition, national calls to service have left us with an ever-dwindling staff, whom it is necessary to employ on work of more importance. In the whole circumstances, valuations will be dispensed with until more normal times arrive.

U.S.A. INVESTMENTS

The past year has been one of considerable activity as a result of the continuing process of liquidation of our investments in the United States. It will be of interest to you to know that so far we have had taken from us under the Vesting Orders securities valued at approximately \$4,000,000. In addition, we have realised from sales, interest, dividends and collections from the mortgage business, a further \$5,000,000, which has been handed over to the Treasury. I have no reason to think that the experience of other investment companies differs greatly from our own, except in amount, and I must conclude that the steady flow of dollars from such realisations during the past year has reached substantial proportions and has been of very considerable national importance during a time when purchases of war material in the United States could be effected only on a cash basis.

THE MORTGAGE BUSINESS

I might mention that the mortgage business has contributed its share to this flow of dollars to the Treasury. As you are aware, the liquidation of this part of the company's business has been our settled policy for a number of years, from the time it became evident that the profitable rates of interest of fifty years ago were no longer obtainable, while, in addition, rising taxation and the difficulties and uncertainties in collecting sums due to us were diminishing our margin of profit. It is not surprising, perhaps, that this side of the business is generally regarded as moribund and now an expensive legacy from the early days of the company's existence. Nevertheless, there are assets here of value which well repay the care and attention of management. We have been fortunate in this respect in having efficient and loyal agents who have spared no pains to collect the principal of our loans and to dispose of the company's holding of real estate on advantageous terms.

SALE OF PROPERTIES IN SOUTHERN STATES

During the past year negotiations were concluded for the sale of some of our few remaining large properties and plantations in the Southern States, with the result that the amount collected is the highest figure reached for the last five years. The sales included one of more than usual interest—a tract of land of some 47,000 acres in New Mexico, which was taken over in the eighties of last century from the Dundee Land Company, and has remained an unremunerative investment on the company's books. The United States Government were interested in acquiring this property for the purpose of an Indian reservation, and paid us a satisfactory price.

I might mention that in this and other sales we retain an interest in the mineral rights, which may eventually prove to be of some value in the oil-bearing parts of the country. The sums realised from real estate are invested and become revenue-bearing, thus replacing less remunerative assets. This helps in some small degree to mitigate the loss of revenue resulting from the liquidation of our American stocks and shares, which yielded on the average a higher return than we can expect to obtain in this country without some sacrifice of security. This liquidation we must expect will be continued. The passing of the Lease and Lend Bill, while removing the urgent necessity to obtain dollars, has not relieved this country of the obligation to pay to the limit of our capacity for our purchases in the United States. I assume, therefore, that very shortly there will be little or nothing left to us of our American investments, apart from our mortgage business, which now represents only 5½ per cent. of our total funds.

THE OUTLOOK

For this and other reasons the outlook is more than usually uncertain. There can be no doubt that Government expenditure in this country has increased very largely the purchasing power of the community, while adequate measures to prevent or postpone that power being exercised have not been taken. Trading concerns in general have been able, therefore, to meet the demands arising from the increased spending capacity of the public, and dividends on the whole have been maintained. That is a situation which in my view is bound to change for the worse as the limitation of supplies becomes more effective. This and other problems, such as the heavy burden of war insurance, the pooling of industries and the promiscuous attentions of the enemy, combine to make the scene somewhat unattractive to the investor. We must be prepared, I think, to experience leaner times.

TRIBUTE TO STAFF

Before moving the adoption of the directors' report and accounts, I must express my appreciation of the services rendered by those members of our staff who are still with us on whom additional duties have necessarily fallen. To those members who are with the Forces you will wish me to convey your good wishes. To the excellent work of our agents in America I have already made reference.

The report and accounts were unanimously adopted and the formal business transacted.

Every year many hundreds of Companies publish Reports of their Annual General Meetings in *The Economist*, thereby reaching thousands of investors in the quiet of their own homes.

In time of war the value of this practice is greatly enhanced because *The Economist* provides valuable information which is not otherwise available to investors, who therefore read it more carefully than ever.

Full particulars of the charges for inserting these reports may be obtained on application to The Reporting Manager, *The Economist*, 8, Boulevard Street, E.C.4.

CLERICAL, MEDICAL AND GENERAL LIFE ASSURANCE SOCIETY

QUINQUENNIAL VALUATION—BOARD'S BONUS POLICY

The annual meeting of the Clerical, Medical and General Life Assurance Society was held on Wednesday, the 30th ultimo, at Hamilton House, Victoria Embankment, E.C.4. Sir Francis E. J. Smith was in the chair. After referring to changes in the directorate, to the results of the past year and to the support given by the society to the new issues of British Government securities, the chairman dealt with the quinquennial valuation made as at December 31st last, and said:—

THE QUINQUENNIAL INVESTIGATION

As the result of this investigation the directors have decided to distribute £800,800 to proprietors and participating policyholders, to make provision for possible additional war mortality and for future intermediate bonuses, and to carry forward, as a reserve against the contingencies of the future, in support of the book values of the assets an unappropriated surplus of £960,529 in the life assurance fund and of £64,459 in the capital redemption fund, making a total of £1,024,988.

The customary detailed examination of the assets by the directors showed that the mortgages, loans and property investments have stood up well, so far, to the strains of war conditions. Actually, at the end of 1940, there was only one case of interest in arrear on a mortgage or loan, whilst war damage to properties represented less than 1 per cent. of book values. Apart from the revaluation of Stock Exchange securities, on the basis of middle market prices less accrued interest, no general revision of book values was made, and, after taking into account the unappropriated carry-forward of £1,024,988 already mentioned, the auditors and other persons signing the balance-sheet certified that the assets were, in the aggregate, fully of the value stated therein. The life assurance fund rose, during 1940, by £12,478, and amounted at the end of the year to £15,909,580.

The whole of the liabilities of the life assurance fund were valued upon the society's customary interest basis of 2½ per cent., combined with the A 1924-29 Table for Assurances, and the a (m) and a (f) Tables for Annuity contracts. The net liabilities so calculated amounted to £14,070,298.

THE SURPLUS DISCLOSED

The net surplus disclosed at December 31, 1940, thus amounted to £15,909,580 less £14,070,298, i.e., to £1,839,282. If intermediate bonuses paid during the quinquennium to proprietors (£25,000) and to policyholders (£122,042) be added, the gross surplus of the quinquennium is seen to be £1,986,329. Of this gross surplus the directors have decided to reserve £125,000 for possible additional war mortality and £100,000 for future intermediate bonuses, to carry forward unappropriated the sum of £960,529—making a total reserved or carried forward of £1,185,529—and to distribute the balance of £800,800 as the divisible surplus of the quinquennium.

THE METHOD OF BONUS DISTRIBUTION

From the aspect of the incidence of surplus earned, the past quinquennium may properly be regarded as consisting of two distinct parts—the three "peace" years of 1936, 1937 and 1938, in which substantial profits were earned, and the remaining two years, 1939 and 1940, of impending or actual war, in which the profit-earning powers of the society were adversely affected.

The directors consider that the method of bonus distribution now to be adopted, in order to give effect to this feature, should take the form of a combination of a declared bonus in respect of the first three years and an intermediate bonus in respect of the two final years.

They have accordingly decided to declare a bonus in respect of the three years 1936-1938 inclusive, to postpone any bonus distribution in respect of the two years 1939 and 1940 until the outlook becomes clearer, and in the meantime, in recognition of accrued, equally with accruing, bonus rights, to calculate intermediate bonuses with effect from January 1, 1939, the date up to which the distribution of profits is now being made.

In respect of the declared portion of the bonus, the participating policyholders are entitled to receive nine-tenths of the divisible surplus of £800,800, i.e., £720,720, of which £122,042 has already been paid by way of intermediate bonuses, so that the balance remaining to be allotted, as bonuses in respect of the three years 1936, 1937 and 1938, is £598,678. It is hoped that three years hence, as at December 31, 1943, it may prove possible to make a further distribution of profits, in respect of the five years 1939-43 inclusive, but upon this point no pledge can, of course, now be given.

INTERMEDIATE BONUSES

Until otherwise determined by the directors, intermediate bonus will be payable upon participating policies which terminate by death, maturity or surrender, on or after January 1, 1941, upon the percentage scales previously in force, in respect of each annual premium due and paid on or after January 1, 1939.

The directors would like to make it clear that their decisions in regard to the allocation of the available surplus have necessarily been reached on broad lines, and that the form of the present "war-time" bonus distribution is no more intended to foreshadow the precise scales of subsequent bonuses than the amount carried forward unappropriated is intended to indicate the probable effects upon the society's assets of the unmeasurable risks of the future. The foregoing decisions represent, in fact, an attempt to hold the balance, as fairly as possible at the present stage, between equity as regards the past and prudence as regards the future; between the claims of participating policyholders to a prompt recognition of their bonus rights in respect of the profitable pre-war period, and the necessity of conserving financial strength for the ultimate protection of their contracts.

It is hoped that these decisions will commend themselves to the general body of the society's policyholders, whose best interests, as a whole, they are designed to protect.

In conclusion, the chairman paid a tribute to the staff, pointing out that 60 per cent. of their pre-war staff was on service with His Majesty's Forces, and that the heavy volume of exacting work had been carried out by those who remained in a manner which called for the highest praise.

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY, LIMITED

A SATISFACTORY REPORT

The eightieth annual general meeting of this Society was held on the 29th ultimo, in London.

Mr. J. K. Wiseman, joint managing director, who presided, in the course of his speech, said:—The combined premium income of all branches for the year amounted to £7,451,659, an increase of £84,248 over the previous year. The total income for the year amounted to £9,292,803, an increase of £118,912. The total claims paid, including annuities and surrenders, amounted to £4,183,691, bringing the total of claims paid by the society since its foundation to £57,827,000. The total assets amount to £48,678,894, an increase of £2,661,069.

The premium income in the ordinary life branch for the year (including consideration for annuities granted) amounted to £1,898,299.

As regards war risk on new policies, we have continued our special scheme under which a benefit of 50 per cent. of the full sum assured is allowed on with-profit policies issued at the ordinary rate of premium should death occur in consequence of war or hostilities while the life assured is a civilian. Air of war or hostilities is therefore provided without an additional premium being charged, service as a civilian in any form of this scheme to include part-time service by civilians in the Home Guard. Full cover instead of 50 per cent. may be secured on payment of a small extra premium. In the case of men serving in the mercantile marine the war risk benefit on with-profit policies issued at the ordinary rate of premium is 25 per cent. of the full sum assured.

In the industrial life branch the premium income for the year amounted to £5,442,599.

During the past five years the total claims and surrenders amounted to £12,152,323. The amount added to the funds, that

is, the increase of the life assurance fund during the period and the amounts added to additional reserves, being money put aside as a provision for future payments to policyholders, was £9,136,566. These two items give a total of £21,288,889, which is arrived at after taking account of interest on investments. This total, being the actual amount paid to policyholders, plus the amount added to reserves as provision for future payments to policyholders, together make up a sum equal to 82.8 per cent. of the premiums received during the period.

As regards war risks on new policies, we have adopted a scheme similar to that mentioned for the ordinary branch.

The balance-sheet shows that the assets total £48,678,894, an increase of £2,661,069 over the previous year.

The report and accounts were unanimously adopted.

NORTH BRITISH AND MERCANTILE INSURANCE COMPANY, LIMITED

THE HON. A. O. CRICHTON'S SPEECH

The one hundred and thirty-first annual general meeting of the North British and Mercantile Insurance Company, Limited, will be held at Edinburgh on Thursday, the 8th instant.

The following is a summary of the statement issued to the shareholders by the Hon. Arthur O. Crichton (the deputy chairman):—

The National Savings Campaign had continued to receive whole-hearted support from the staff. So far as the "North British" group of companies was concerned, all moneys becoming available here had been placed at the disposal of the Government by subscription to the new Government loans. With taxation still further increased and the yield on new Government loans restricted, the net return on their investments as a whole continued to shrink. As to the stability of their funds, there was a substantial increase in the market value of their investments at the end of the year compared with the previous year, which provided a valuable safeguard for future contingencies.

The strain of war on their life funds had not been unduly heavy up to the present, and the total claims sustained during the year under life policies had proved within the number expected in a normal peace-time year. They hoped that satisfactory experience would continue, and if it did they would be fully justified, as they had been justified so far, in having given policyholders that full and unrestricted protection which was almost a tradition of the "North British." The new business completed during the year had naturally been much smaller than in the pre-war years, but in comparing the figures with those for 1939 it had to be remembered that comparison was made with a "bumper" year. They were satisfied that the business they had written was of a good class and was mainly of a provident nature.

In the fire department premium income had increased by nearly 4 per cent., but the loss ratio at 48.31 per cent. showed an increase of very nearly 6 per cent. on last year. The resultant profit, after providing 40 per cent. for unexpired risks, amounted to £95,571, or 2.80 per cent. of the premium income. This was the smallest figure of profit recorded for many years past, but they had the satisfaction of knowing that their business had been well maintained in spite of the temporary loss of so many sources of income on the continent of Europe.

Their casualty insurance business was conducted through the medium of their subsidiary, the Railway Passengers Assurance Company, whose results were once more of a highly satisfactory character notwithstanding the anticipated unavoidable shrinkage in premium income.

With interest on investments the underwriting profit was £248,720, practically the same as in the previous year.

The premium income of the "Ocean Marine" Company, their marine department, amounted to £634,689 for 1940, showing a considerable rise over that for the previous year. The business of the Fine Art and General Insurance Company during the past year could, in the circumstances, be considered as satisfactory.

The directors again recommended a dividend of 6s. 3d. per share, less income tax. This dividend, together with the preference dividend, would absorb £393,323, while the combined total of net interest amounted to £447,169.

INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED

NICKEL AND COPPER SALES INCREASED

The annual general meeting of this company was held on the 30th ultimo at Toronto.

Mr Robert C. Stanley (chairman and president) said that the most important duty of the management during the period under review, the first full year of operations under war-time conditions, was to provide an adequate supply of nickel, copper and platinum metals to meet all demands for the war programmes of His Majesty's Governments in Canada and Great Britain. Furthermore, the defence programme of the United States Government, in conjunction with its policy of aid to Britain, was adding heavily to the toll on the company's output of nickel. To meet the situation they had not only continued their programme of balancing smelter and refinery capacity with mine output, but had augmented and accelerated this programme by making plant extensions wherever possible and utilising all available facilities. In addition, they were treating and refining the entire bessemer matte output of Falconbridge Nickel Mines, Limited. Due to these efforts, nickel output was increased in 1940, and was being further expanded this year.

COPPER PRODUCTION

Copper production, resulting from increased nickel output and from the treatment of Falconbridge bessemer matte, exceeded the capacity of the copper refinery, and they had found it necessary to make outside arrangements for the refining of a portion of their copper. The contract with His Majesty's Ministry of Supply for the delivery of about 80 per cent. of their output of electrolytic copper expired on September 1st last, and had been renewed for another year.

In 1940 the company's sales of nickel in all forms were in excess of the sales in 1939, as also were the sales of copper. Sales of platinum metals, however, were lower because of restricted markets.

The net profit for 1940, after all charges, inclusive of substantial emergency reserves, was \$35,544,772, equivalent to \$2.80 per share on the common stock after provision for preferred dividends of \$1,933,899. The common shareholders were paid \$2.00 per share, and the remaining 30 cents per share transferred to earned surplus.

It was of interest to note that, notwithstanding a large increase in the volume of metal sales, the net earnings per share of common stock were 9 cents lower than in 1939, due mainly to the heavy increase in taxes.

The tax provision of \$21,130,703 in 1940 was equivalent to \$1.45 per share on the common stock, and compared with the provision of \$11,322,121, or 78 cents per share, on the common stock in 1939. This meant that each share of common stock contributed \$1.45 to Government treasuries for war and defence programme expenditures and for general purposes. All shareholders would agree that heavy taxation was a vital necessity in this grave emergency. The war and defence programmes must be shared in by all and must be paid for in cash. Thus it was gratifying that the tax contribution of this Canadian enterprise was a substantial contribution to the war effort.

DIVIDEND UNCHANGED

For the third successive year dividend disbursements remained unchanged. Four quarterly dividends had been paid on the common stock, and four quarterly dividends on the preferred stock, amounting to \$29,156,338 and \$1,933,899 respectively, a total of \$31,090,237.

In closing he wished to emphasise that the policy of this company during the period of the war was to produce sufficient nickel to meet the war-time requirements of Canada, Great Britain and of the United States; to supply the needs of industry to the fullest degree that national requirements would permit; to maintain all of the plants and equipment in the best working condition; to foster a spirit of co-operation between employees and management throughout the various branches of the organisation; to expand research and development efforts concerning uses for the company's metals; and to conserve the financial resources to the fullest extent that the present world situation permitted.

PINCHIN, JOHNSON AND COMPANY LIMITED

THE CHAIRMAN'S STATEMENT

The annual general meeting of Pinchin, Johnson and Company, Limited, was held on the 30th ultimo at Tigbourne Court, Witley, Surrey.

Mr C. J. Heywood (the chairman) presided.

The chairman's statement emphasised the following points:— Shareholders will appreciate that during the war the company is faced with very greatly increased expenditures in order to maintain its business.

It is neither politic nor practical to attempt to pass on to the consumer these added burdens, as it must be understood that export trade is necessarily of a strictly competitive nature, whilst the home business has almost entirely changed in character in the last eighteen months.

Temporarily, the domestic business of the company in this country has declined considerably, but the company is confident that its completed plans for distribution and service after the cessation of hostilities will meet with the entire approval of its valued and extensive clientele.

Curtailement of essential services affected production in the last quarter of the year, and the company is now planning to provide duplicate facilities where this is practicable.

STOCK POSITION

The necessarily high ratio of imports of raw materials for the paint trade from overseas, and its effect on shipping space, needs, in the opinion of your directors, a greater constriction of available usage into such channels as are really essential for the war effort—i.e., industry and export.

Reference to the balance sheet will show that the stock-in-

trade is the highest inventory figure yet shown in any of the company's accounts to date. This is caused by:—

1. The necessity of carrying unusually heavy stocks of raw material in reserve, stored in as many places as is practicable, to keep the production effort continuous.

2. Abnormal increase in the cost of vitally essential materials.

3. Placing increased stocks overseas to safeguard local requirements of the company's overseas customers.

This large tie-up of cash resources necessarily affects the cash position. Sundry debtors show a considerable increase, which indicates a higher volume of trade and outstandings.

STRONG RESERVES

The reserve for contingencies is being built up to a figure which will take care of the complete—but unlikely—total loss of the company's assets in enemy occupied areas.

On the other hand, the real value of the company's subsidiaries in free territories, if maintained, would be more than sufficient to take care of the loss; thus, in two ways, are the possible losses of these assets more than safeguarded.

TRIBUTES TO STAFF

The directors wish to pay tribute to the exemplary courage and fortitude of many of the factory staff and operatives who have distinguished themselves in their devotion to the company's interest and the preservation of the company's properties.

The company's home and overseas employees have, individually, subscribed to and presented to the country a fighter aircraft which is known as the "P.J." Spitfire.

National War Savings groups have been inaugurated throughout the company's organisation, and the response per head by the staff has received high commendation from the authorities.

(Continued from page 601)

acting in conjunction with the Ministry of Food. The present method of allocation through Port Panel committees to wholesalers will continue. Three shiploads of oranges have recently arrived and it is hoped that more will follow. A new Cheese (Maximum Prices) Order will come into force on May 5th, the date of the beginning of cheese rationing. The Order will govern the price of all cheese made from cows' milk, except blue-vein, soft, curd and cream cheese, and processed cheese. The maximum retail price for all cheese covered by the Order will be 1s. 1d. per lb. This represents no change in the maximum price of the main varieties, but a reduction of 1d. per lb. in the maximum price of Wensleydale, Stilton and Caerphilly, which will also be subject to rationing. An Order came into force on April 28th amending the price of some sizes of canned salmon. The wholesale price of Grade I Talls and Grade I Flats has been increased from 62s. 6d. to 66s. per case, and the retail price from 1s. 7½d. to 1s. 8½d. per container. For Grade III ½'s the wholesale price of 26s. 6d. per case and retail of 4d. per container, have been prescribed. Eggs from the United States are to be included in Category IV, the same as those produced in the Dominions. These prices are 22s. 6d. per 120 or 2s. 6d. a dozen, and 20s. per 120, or 2s. 3d. a dozen. Families taking one pint of milk per day or less, will not have their supplies cut.

Assistance to Exporters.—Transport and Progressing Officers have now been appointed to most Area Boards by the Board of Trade. In each of the Civil Defence Areas there is a Board of Trade representative on the Area Board, one of whose main duties is to assist exporters to overcome difficulties encountered in the course of their business. Transport has offered particular difficulty and the new appointments are designed to assist the Board of Trade representative.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Apr. 12, 1941	Apr. 19, 1941	Apr. 12, 1940	Apr. 19, 1941
N. America	833	1,068	19,275	16,918
Argentina, Uruguay... ..	203	265	15,353	7,223
Australia	...	...	3,605	...
Russia	...	...	114	429
Danube and district	...	...	5,340	182
Other Countries	...	...	345	...

* Unobtainable. † Incomplete.
Source: *The Corn Trade News*.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	Apr. 12, 1941	Apr. 19, 1941	Apr. 20, 1940	Apr. 19, 1941
Argentina	3	1	971	37
Atlantic America	1	...	86	1
Danube Region	...	...	96	...
S. & E. Africa	...	...	249	...
Indo-China, etc.	...	...	37	...

* Not received.
Source: *The Corn Trade News*.

"THE ECONOMIST" SENSITIVE PRICE INDEX

	Apr. 24, 1941	Apr. 25, 1941	Apr. 28, 1941	Apr. 29, 1941	Apr. 30, 1941
Crops	108.3	108.3	108.3	108.3	108.4
Raw materials	173.8	173.7	173.4	173.2	173.2
Complete Index	137.2	137.2	137.1	137.0	137.0
	Mar. 31, 1937	Aug. 31, 1939	Apr. 30, 1940	Mar. 31, 1941	Apr. 23, 1941
Crops	147.0	92.2	112.4	109.8	108.3
Raw materials	207.3	122.9	162.7	173.0	173.7
Complete Index	175.1	106.4	135.0	137.9	136.6

* Highest level reached during 1932-37 recovery.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN UNITED KINGDOM

(1927=100)

	Mar. 31, 1937	Aug. 30, 1939	Apr. 16, 1940	Apr. 8, 1941	Apr. 22, 1941
Cereals and meat	93.0	66.9	86.8	96.5	96.9
Other foods	70.4	61.1	80.4	93.0	91.6
Textiles	74.2	54.3	87.6	90.2	90.9
Minerals	113.2	77.6	115.9	129.8	129.9
Miscellaneous	87.0	77.6	99.2	113.6	113.8
Complete Index	87.2	70.3	93.8	104.3	104.3
1913=100	119.9	96.8	129.0	143.6	143.6

* Highest level reached during 1932-37 recovery.

VALUE OF WHOLESALE TRADE IN TEXTILES IN GREAT BRITAIN

(1937=100)

	Home	Export	Total	
			Index	% change from a year ago
1935	96	83	96	...
1936	99	90	99	+ 3.1
1937	100	100	100	+ 1.0
1938	94	82	93	- 7.0
1939	105	80	103	+ 10.7
1940	116	83	114	+ 10.7
1940. Feb.	113	78	111	+ 40.8
Mar.	155	93	152	+ 31.0
Apr.	145	94	142	+ 51.0
May.	130	88	125	+ 24.3
June.	97	106	97	+ 4.3
July.	82	94	83	+ 25.3
Aug.	124	74	122	+ 47.0
Sept.	148	54	143	- 7.8
Oct.	157	73	152	- 8.4
Nov.	81	88	81	- 40.0
Dec.	76	71	76	- 26.9
1941 Jan.	83	67	63	- 21.2
Feb.	106	68	105	- 5.4
Mar.	124	102	123	- 19.1

Indices calculated by Wholesale Textile Association in collaboration with Bank of England.
Purchase tax is excluded; figures are therefore comparable throughout.
Source: *Board of Trade Journal*.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended April 26, 1941, total ordinary revenue was £16,810,000, against ordinary expenditure of £70,494,000, and issues to sinking funds of £35,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £218,369,000 against £119,113,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)	Week ended April 26, 1941	Week ended April 26, 1940
ORDINARY REVENUE			
Income Tax	13,026	30,031	9,276
Sur-tax	3,250	3,940	480
Stamp duties	6,190	7,500	1,980
Stamps	270	940	940
N.D.C.	1,320	1,000	350
E.P.T.	130	11,414	40
Other inland revenue	50	30	20
Total Inland Revenue	24,236	54,861	2,849
Customs	20,178	25,592	5,711
Excise	11,408	7,454	998
Total Customs and Excise	31,586	33,046	6,709
Motor Duties	4,055	2,949	605
P.O. (Net Receipt)	1,050	450	Dr. 600
Crown Lands	160	170	170
Receipts from Sundry Loans	179	68	13
Miscellaneous Receipts	818	833	99
Total Ord. Revenue	62,174	92,375	10,553
SELF-BALANCING			
Post Office and Broadcasting	5,300	5,650	2,100
Total	67,474	98,025	12,653

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)	Week ended April 26, 1941	Week ended April 26, 1940
ORDINARY EXPENDITURE			
Int. & Man. of National Debt	24,318	28,876	577
Payments to N. Ireland	296	299	299
Other Cons. Fund. Serv.	283	277	6
Total	24,897	29,452	879
Supply Services	156,061	280,568	45,561
Total Ord. Expenditure	180,958	310,408	46,440
SELF-BALANCING			
Post Office and Broadcasting	5,300	5,650	2,100
Total	186,258	316,058	48,540

After increasing Exchequer balances by £172,245 to £2,706,022, the other operations for the week (no longer shown separately) raised the gross National Debt by £54,232,051 to about £11,614 millions (after deducting £17,043,000 issued to sinking funds in 1940-41, but excluding issues to sinking funds in 1941-42).

MONTH'S CHANGES IN DEBT

NET INCREASES	NET REPAYMENTS
Nat. Sav. Certs. 13,450	41% Conv. Loan 5
3% Def. Bds. 15,075	Ways and Means Advances 735
3% Def. Loan 45,731	"Other debt" 7
21% Nat. War Bds. 1940-48 27,650	
3% Sav. Bds. 22,100	
Treasury Bills 23,828	
Treasury deposits 73,000	
Total	220,834

NET ISSUES (£ thousands)	NET RECEIPTS (£ thousands)
P.O. and Telegraph 200	Bullion Advances repaid 50
Anglo-Turkish Armaments 171	
Overseas Trade Guarantees 20	
Total	391

AGGREGATE ISSUES AND RECEIPTS

Ordinary Exp. 310,408	Ord. Revenue 92,375
Misc. issues (net) 1,639	Gross. bor. 220,088
Inc. in balances 80	Less—Sinking fds. 336
	Net borrowing 219,752
Total	312,127

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Bank of England	Total Floating Debt
April 27 1941	675.0	674.1	46.3	1395.4
Jan. 25 1941	845.0	1340.7	96.1	2047.7
Feb. 1 1941	845.0	Not available	"	"
" 8 1941	845.0	"	"	"
" 15 1941	845.0	"	"	"
" 22 1941	845.0	1369.4	165.5	2350.9
Mar. 1 1941	845.0	Not available	"	"
" 8 1941	845.0	"	"	"
" 15 1941	845.0	"	"	"
" 22 1941	845.0	"	"	"
April 5 1941	845.0	1251.6	172.3	2268.9
" 12 1941	850.0	Not available	"	"
" 19 1941	855.0	"	"	"
" 26 1941	865.0	1370.4	163.5	2398.9

TREASURY BILLS (£ millions)

Date of Tender	Amount Offered	Applied for	Allocated	Average Rate	Per Cent. Allotted at Min. Rate
April 26 1941	55.0	115.7	55.0	s. d. 20 4-98	36
Jan. 17 1941	65.0	146.0	65.0	20 1-28	27
" 24 1941	65.0	139.4	65.0	20 4-04	28
" 31 1941	65.0	150.7	65.0	20 2-84	100
Feb. 7 1941	65.0	149.4	65.0	20 3-39	10
" 14 1941	65.0	142.5	65.0	20 4-23	23
" 21 1941	65.0	130.1	65.0	20 4-43	28
" 28 1941	65.0	100.5	65.0	20 4-43	15
Mar. 7 1941	65.0	151.2	65.0	20 0-17	42
" 14 1941	65.0	153.8	65.0	19 11-79	24
" 21 1941	65.0	131.6	65.0	20 2-06	17
" 28 1941	65.0	148.3	65.0	20 2-46	28
April 4 1941	70.0	156.6	70.0	20 2-41	26
" 11 1941	75.0	161.8	75.0	20 2-72	30
" 18 1941	75.0	161.8	75.0	20 2-63	30
" 25 1941	75.0	168.9	75.0	20 2-20	22

On April 25th applications at £99 14s. 11d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday and Saturday of following week were accepted as to about 22 per cent. of the amount. Applications at £99 14s. 11d. for bills to be paid for on Thursday and Friday were accepted in full. £75 millions of Treasury bills are being offered on May 2nd. For the week ending May 3rd the banks will be asked for Treasury deposits to the maximum amount of £50 millions.

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

Week ended	N.S.C.	3% Def. Bonds	2½% Bonds	New 3% Sav. Bonds	3% Sav. Bonds
Mar. 18	4,180	4,428	Nil	9,217	4,969
" 25	5,055	4,658	14	17,695	10,080
Apr. 1	4,918	4,957	Nil	11,232	10,541
" 8	4,405	4,568	Nil	10,448	8,516
" 15	2,597	2,803	Nil	4,248	4,890
" 22	3,590	2,785	2	6,910	3,789
" 29	...	...	Nil	6,862	5,673
Totals	267,049	263,071	4,444	178,558	113,593

* 74 weeks. † 45 weeks. ‡ 17 weeks.
Interest free loans received by the Treasury up to April 29th amounted to a total value of £31,886,440. Up to April 26th, principal of Savings Certificates to the amount of £33,972,000 had been repaid.

BANK OF ENGLAND RETURNS

APRIL 30, 1941

Notes Issued:	Govt. Debt
In Circulation 623,349,685	11,015,100
In Bank, De. partment 56,891,800	666,166,631
	2,811,129
	7,749
	680,241,575

BANKING DEPARTMENT

Props. Capital £	Govt. Secs. £
14,553,000	109,307,898
Res. 3,147,641	Other Secs. 28,314,112
Public Deps. 13,648,091	Advances 24,330,000
	Securities 56,861,390
Other Deps. 131,754,596	Notes 1,440,969
Other Accts. 57,240,393	Gold & Silver 1,440,969
	Coin 1,440,969
	220,343,721

* Including Exchequer, Savings Banks, Commis- sioners of National Debt and Dividend Accounts.

THE WEEK'S CHANGES (£ thousands)

Both Departments	Amt. Apr. 30, 1941	Compared with Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	623,350	+ 900	+ 62,308
Deposits: Public	13,648	+ 2,477	+ 6,107
Bankers	131,755	+ 19,233	+ 6,308
Others	57,240	+ 5,033	+ 12,354
Total outside liabilities	177,011	+ 22,689	+ 94,863
Capital and res.	14,553	+ 15	+ 15
COMBINED ASSETS	786,489	+ 27,236	+ 71,474
Govt. debt & securities	28,314	+ 9,924	+ 22,388
Discounts and advances	27,191	+ 5,207	+ 1,580
Other securities	1,691	+ 183	+ 344
Silver coin in issue dept.	1,691	+ 183	+ 344
Coin and gold bullion	58,342	+ 49,285	+ 18,087
RESERVES			
Res. of notes and coin in banking department	28.7%	+ 23.7%	+ 7.5%

COMPARATIVE ANALYSIS (£ millions)

	1940	1941
May 1	Apr. 16	Apr. 23
Issue Dept.:		
Notes in circulation	541.0	622.2
Notes in banking department	39.2	8.0
Government debt and securities	576.1	627.1
Other securities	3.4	2.9
Silver coin	0.5	0.0
Gold, valued at s. per fine oz.	0.2	0.2
Deposits:	168.00	168.00
Bankers	19.8	14.9
Public	125.4	115.1
Others	44.9	53.4
Total	190.1	180.8
Banking Dept. Secs.:	139.0	132.7
Government	5.9	4.0
Discounts, etc.	22.6	18.4
Other	107.5	119.9
Banking dept. res.	40.3	9.2
"Proportion"	21.2	5.0

* Government debt is £11,015,100; capital, £14,553,000. † Fiduciary issue raised from £890 millions to £680 millions on April 30, 1941.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Finland appeared in "The Economist" of Dec. 9th, 1939; Norway, of Apr. 13th, 1940; Denmark, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Switzerland, of June 15th; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Mellie Iran, of Nov. 23rd; Lithuania, of Nov. 30th; Roumania, of Feb. 8th; Egypt, Reichsbank, of Feb. 22nd; Hungary, of Feb. 15th; Roumania, of Feb. 22nd; Hungary, of Feb. 15th; Bulgaria, of Mar. 15th; Greece, of Mar. 22nd; Australia, of Apr. 19th; Argentina, Yugoslavia, and Prague, of Apr. 26th.

U.S. FEDERAL RESERVE BANKS

Million \$'s	Apr. 24, 1940	Apr. 10, 1941	Apr. 17, 1941	Apr. 24, 1941
12 U.S.F.R. BANKS				
Gold Certs. on hand	16,378	20,111	20,125	20,160
and due from Treas.	16,777	20,437	20,461	20,504
Total reserves	33,155	40,548	40,586	40,664
Total cash reserves	300	316	326	334
Total U.S. Govt. secs.	2,467	2,184	2,184	2,184
Total bills and sec.	2,479	2,196	2,192	2,194
Total resources	20,018	23,487	23,869	23,658
LIABILITIES				
F.R. notes in circn.	4,918	6,198	6,206	6,213
Excess m. bank res.	6,120	6,030	6,260	5,700
Mr. banks res. dep.	12,883	13,656	13,970	13,506
Govt. deposits	470	813	534	947
Total deposits	14,126	16,209	16,276	16,261
Total liabilities	20,018	23,487	23,869	23,658
Reserve ratio	88.1%	91.2%	91.0%	91.2%
BANKS AND TREASURY:				
Monetary gold stock	18,708	22,413	22,421	22,482
Treas. and bk. currency	2,907	3,113	3,116	3,118
LIABILITIES				
Money in circulation	7,520	8,993	8,989	8,992
Treas. cash and dep.	2,775	3,085	3,203	3,246

FEDERAL RESERVE REPORTING MEMBER BANKS—Million \$'s

	Apr. 3, 1940	Feb. 16, 1941	Mar. 5, 1941	Apr. 2, 1941
ASSETS				
Loans, total	8,649	9,485	9,502	9,828
Investments	14,060	16,953	17,076	17,124
Reserve with F.R. bks.	10,437	12,003	11,910	11,315
Due from domestic bks.	3,299	3,473	3,427	3,588
LIABILITIES				
Deposits: Demand	19,175	23,431	23,382	23,093
Time	5,355	5,454	5,470	5,441
U.S. Govt.	580	356	357	420
Inter-bank	9,150	9,879	9,966	9,976

BANK OF CANADA—Million Can. \$

	Mar. 27, 1940	Mar. 19, 1941	Mar. 26, 1941
ASSETS			
Reserve: Gold	225.8	60.66	67.26
Other	65.6	571.67	534.98
Securities	212.7	357.44	360.93
Note circulation	221.1	357.44	360.93
Deposits: Dom. Govt.	51.8	62.93	20.68
Chartered banks	203.9	211.27	214.70

BANK OF JAPAN

Million yen	Mar. 1940	Feb. 1941	Mar. 1941	Mar. 1941
ASSETS				
Gold & Bullion: Gold	501.3	501.3	501.3	501.3
Other	35.7	25.8	23.7	24.8
Foreign exch. fund.	300.0	300.0	300.0	300.0
Discounts & advances	684.9	510.2	678.6	601.2
Government bonds	2218.2	3792.9	3744.5	3687.7
Agencies' accounts	242.2	354.4	331.9	321.1
LIABILITIES				
Notes issued	2892.8	3900.1	4104.9	3863.2
Deposits: Government	787.8	1178.9	1060.8	1157.7
Other	89.4	102.4	96.3	101.1

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s	Mar. 4, 1940	Feb. 10, 1941	Mar. 3, 1941	Mar. 10, 1941
ASSETS				
Gold and stg. exch.	12.82	18.49	18.95	19.56
Advances to State	25.33	26.70	26.55	25.82
Investments	3.36	3.78	3.78	3.78
LIABILITIES				
Bank Notes	17.95	21.47	21.40	21.26
Demand liab. : State	0.56	10.06	10.35	11.25
Banks and others	15.04	15.24	16.19	15.69
Reserve ratio	32.4%	38.7%	39.5%	40.6%

SOUTH AFRICAN RESERVE BANK

Million £'s	Mar
-------------	-----

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Deprecia- tion, 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.
		£	£	£	£	£	£	%	£	£	£	£	%
Breweries													
Wilson's Brewery	Feb. 28	203,840	...	134,016	220,205	18,300	74,550	15	40,000	+ 1,166	219,462	131,670	17½
Financial, Land, etc.													
Central Idco Sisal	June 30	22,903	10,453	6,462	Dr. 13,928	...	...	...	...	+ 6,462	762	Dr. 12,480	NH
Cheapside Land	Sept. 30	40,642	...	9,266	15,786	4,125	...	...	4,000	+ 1,141	47,747	19,563	2
Iron, Coal and Steel													
Beardmore (William) & Co.	Dec. 31	375,094	...	328,679	494,826	30,044	49,637	10	200,000	+ 48,998	519,674	465,063	10
Blaenavon Co.	Dec. 31	84,407	12,000	14,542	14,582	4,500	...	...	...	+ 10,042	47,902	1,500	NH
Ransomes & Rapier	Dec. 31	153,889	21,219	8,342	11,879	405	7,950	6½	...	- 13	104,742	22,502	6½
Motor Cycle & Aviation													
Vauxhall Motors	Dec. 31	478,464	...	422,242	1,705,477	10,350	112,500	15	...	+ 299,392	490,625	440,735	15
Rubber													
Ampat (Sumatra)	Sept. 30	26,553	1,700	9,756	13,077	...	9,688	6½	...	+ 68	10,669	4,786	2½
Ayer Kuning (F.M.S.)	Dec. 31	27,603	...	8,082	30,724	...	7,000	10	...	+ 106	17,020	9,122	10
Escof Rubber	Sept. 30	34,487	...	18,840	16,350	...	13,734	8½	...	+ 106	18,090	9,273	5
Hidden Streams	Dec. 31	4,028	...	2,099	3,824	...	1,980	7½	...	+ 119	2,942	1,244	5
Highlands and Lowlands	Dec. 31	67,787	...	17,942	58,230	...	15,474	10	...	+ 2,468	38,197	19,544	5
Karak	Dec. 31	11,051	...	8,047	8,354	...	5,265	10	...	+ 2,782	5,934	3,761	5
Sungei Buaya (Sumatra)	Sept. 30	31,156	6,000	10,316	16,031	...	7,078	3½	...	+ 3,238	24,375	4,717	2½
Shipping													
Britain Steamship	Dec. 31	80,124	28,512	35,925	44,635	...	19,688	7½	10,000	+ 6,237	56,777	4,743	NH
Textiles													
Full-Fashioned Hosiery	Jan. 4	59,854	15,360	Dr. 418	30,920	...	11,250	10	...	- 11,668	93,986	40,247	10
Trusts													
Second Caledonian	Mar. 1	41,124	...	9,318	34,440	7,813	...	...	...	+ 1,505	45,227	12,823	NH
Third Scottish Western	Mar. 1	56,668	...	13,040	45,747	11,025	...	...	...	+ 2,015	58,877	16,003	NH
U.S. & Sth. American	Apr. 4	67,253	...	45,073	100,565	12,916	24,885	9½	5,000	+ 2,272	81,134	55,540	9½
Other Companies													
Ault and Wiborg	Mar. 31	34,475	4,190	1,919	10,525	4,304	...	...	...	- 2,385	65,334	28,120	7½
Bentley Engineering	Dec. 31	49,438	...	20,218	33,396	5,109	11,250	25½	...	- 3,859	37,183	30,214	25½
Inns & Co.	Dec. 31	95,273	23,148	33,774	42,905	12,337	10,000	8	15,000	+ 3,563	95,155	39,261	8
Limmer Asphalt	Dec. 31	105,450	...	89,732	151,673	13,765	68,907	8½	...	+ 20,825	116,388	88,527	10
Moss Empires	Dec. 31	107,429	21,690	68,634	95,474	13,765	48,431	10	...	+ 6,438	162,090	62,790	8
Rolls Razor	Dec. 31	102,222	10,840	29,322	34,871	7,688	20,000	80	...	+ 2,134	88,736	30,672	80
Tayside Floorcloth	Feb. 28	26,728	...	26,728	50,078	...	13,250	12½	15,000	- 1,522	26,335	26,335	12½
Vine Products	Dec. 31	157,126	9,950	114,908	141,495	16,000	103,725	22½	...	- 4,727	206,814	124,032	22½
Totals (£'000's):													
Week to May 3, 1941	27	2,625	165	1,482	3,434	159	636	...	289	+ 398	2,676	1,689	...
Jan. 1 to May 3, 1941	611	125,082	8,302	62,569	98,034	12,535	41,360	...	6,007	+ 2,667	119,865	69,584	...

† Free of Income Tax. (a) Absorbed £12,960 or 8.0768% for year.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash. Previous year's rate is total dividend unless marked * indicating interim dividend.

Company	*Int. or †Final	Total	Payable	Prev. Year	Company	*Int. or †Final	Total	Payable	Prev. Year	Company	*Int. or †Final	Total	Payable	Prev. Year
INSURANCE	%	%	%	%	INDUSTRIALS	%	%	%	%	INDUSTRIALS—contd.	%	%	%	%
Scott. Union & Nat'l	4/6	...	5/6	...	Acme Tea Chest	21½	...	5*	...	Lacrinoid Products	4½	7	...	5*
"A"	16/10½	...	20/7½	...	African City Props.	13½	...	...	...	Laycock Holdings	3½*	...	...	...
Sun Insurance	1/6 + 2/9	July 1	2/9	...	African Theatres	20	...	17	...	London Express Nwsp	2½*	...	...	...
TEA AND RUBBER	...	...	...	...	Alliance Investment	2 + 4	...	...	...	McNeill (F.) & Co.	...	...	...	...
Cent. Travancore Rbr.	3½*	...	2½*	...	Anglo-Amer. Deb. Cpn.	8½†	12	12	...	Monte Video Water	...	...	...	...
Kintyre Tea	3½*	...	2½*	...	Assoc. Gas & Water	3 + 7	5	5	...	Moss Gear Co.	...	...	...	...
Malayalam Ptns.	...	...	...	...	Bankers Investment	3 + 7	5	5	...	Prices Trust	7½*	June 1	12½*	...
Malayala Rubber	...	...	...	...	Bellamy (J.) & Sons	6½†	10	10	...	Ransomes and Rapier	12½*	...	...	...
MINING	...	...	...	...	Benger's Food	7½†	10	10	...	Rhonda Transport	13 + 16	...	...	...
Cent. Prov. Mang. Ore	11½ + 12½	...	12½†	...	Bethlehem Steel	\$1.50	...	\$1.25	...	Sandvik Steel	...	...	...	...
Konongo Gold	12½†	May 27	15	12½†	Bigwood (Joshua)	5*	...	...	...	Southern Collieries	1½*	...	...	...
Lake View and	...	...	...	...	British Brewery	7½†	10	...	...	Steel Co. of Canada	...	...	...	...
Mason and Barry	...	...	...	...	Bristol Benzol	...	...	...	...	Stn. Areas Electric	75 cts	...	...	...
Naraguta Extended	...	...	...	...	Briton Steamship	10*	...	...	...	Sth. Westn. Gas & W.	3 + 5	...	...	...
Do. 1941	4½†	...	10	...	Carlton Main Colliery	5 + 7	...	...	...	Thrift Stores (def.)	...	...	...	...
Naraguta Karama	5*	...	5*	...	C.N.A. Investments	6½†	10	...	...	Tobacco Securities Trust	5*	...	...	...
do. 1941	5*	...	5*	...	Colombo Gas	5†	10	...	...	U.S. Steel Corp.	\$1 pa	...	...	...
N. Zealand Crown	25*	May 14	20*	...	Contin. Union Trust	4½†	6	May 24	6	Vacuum Brake	...	...	...	...
Petaling Tin	15*	...	25*	...	Curry	...	10	...	...	Vine Products	...	...	...	...
Rhokana Corporation	5†	...	10	...	Ever Ready (G. B.)	25 + 40	June 5	40	...	Weston Foods	20*	...	...	...
South Bunker	5*	...	5*	...	First Conv. Invest.	2 + 4	...	...	...	Whites (Timothy), etc.	22½*	...	...	...
do. 1941	2½*	...	3*	...	Goodlass Wall	...	...	...	...	Wickham (A.C.)	7½†	12½	...	...
Stone Tin (F.M.S.)	...	...	20(u)	...	Hopkinsons	10†	15	...	...	Wilson & Clyde Coal	...	...	...	...
Tongkah Tin	5*	...	...	...										

† Free of Income Tax. (a) For year to June 30, 1940.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks Ending	Gross Receipts for Week	Aggregate Gross Receipts
		1941	1941
		+ or -	+ or -
B.A. and Pacific	42	Apr. 19	11,710,000 + 155,000
B.A. Southern	41	19	12,239,000 + 76,000
B.A. Western	41	19	9,126,000 + 16,000
B.A. Argentine	16	21	3,624,000 + 1,132,000
Central Argentine	42	19	12,061,000 + 400,750
			59,579,000 + 785,000
			62,831,000 + 7,607,000
			32,092,000 + 1,355,000
			52,855,000 + 12,767,000
			66,696,250 + 7,946,300

† Receipts in Argentine pesos.

UNIT TRUST PRICES

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

Name	Apr. 29, 1941	Name	Apr. 29, 1941	Name	Apr. 29, 1941
Second Brt. Inv.	18/8 bhd	National D.	9/4½-10/4½	Key Gold	7/10½-9/4½
Lim'd Inv.	12/6 bhd	Century	10/6-12/6 bhd	Br. Ind. 4th	10/8-11/8
New British	7/7½-8/7½	Scottish	9/6-11/6	Elec. Inds.	12/6-14/6
Invest. Tr.	9/0-10/3 bhd	Univ. 2nd	11/9-13/6	Met. & Min.	10/0-11/0
Bk. - Insur.	14/3-15/9 bhd	Inv. Flex.	8/9-9/9	Cum. Inv.	13/6-14/6
Insurance	14/3-15/9 bhd	Inv. Gen.	11/6-12/6 bhd	Producers	5/6-6/6 bhd
Bank	14/3-15/9 bhd	Key Flex.	9/4½-10/4½	Dom. 2nd	4/6-5/6
Scottish	10/9-11/9	Key Cons.	8/6-10/0	Orthodox	7/8

* Free of commission and stamp duty.

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.

Prices, Year 1940		Prices, Year 1941		Name of Security	Price, Apr. 22, 1941	Price, Apr. 29, 1941	Yield, Apr. 29, 1941	Prices, Year 1941		Last two Dividends		Name of Security	Price, Apr. 22, 1941	Price, Apr. 29, 1941	Yield, Apr. 29, 1941
High	Low	High	Low		High	Low	(a)	(b)	(c)						
77	68½	78½	76½	British Funds	77½	77½	£ s. d.	23/11	20/10½	1½	1½	Iron, Coal, &c.—cont.	21/10½	21/10½	5 19 0†
111½	108½	111½	110	Consols 2½	110½	110½	3 12 7	22/8½	21/1	1½	1½	Cast. Keen &c. Ord. £1	21/3	21/3	10 11 9
98½	98½	99½	98½	Conv. 2½ 1943-45	99½	99½	2 4 6	12/7½	11/1	5½	5½	Hadfields Ord. 10/-	11/10½	11/10½	11 16 6
100½	95½	100½	98½	Do. 2½ 1944-49	101½	101½	2 15 6	21/9	18/6	12 c	6 c	Powell Duffryn Ord. £1	19/4	19/4	8 11 0†
103½	97½	103½	101½	Do. 3½ 1948-53	103½	103½	3 7 6½	44/1	42/3	12½ c	12½ c	S. Durham Ord. £1	45/1	45/1	6 13 8
112	107½	107½	106	Do. 5½ 1944-64	108½	108½	2 16 0	38/1	28/1	4 a	6 b	Staveley Coal, Ord. £1	42/6	42/6	6 10 0
92½	86½	92½	91½	Fund. 2½ 1956-61	92½	92½	3 0 6	24/3	19/9	5½ b	4 a	Stewarts & Lloyds £1	21/1	21/1	7 10 7
98½	92	98½	97½	Fund. 2½ 1952-57	98½	98½	2 15 6	16/1	14/3	4 a	6 b	Swan, Hunter &c. Ord. £1	14/9	14/9	6 18 0
99½	95	99½	98½	Fund. 3½ 1959-69	99½	99½	2 13 4	4/11	3/8	NH	NH	Vickers Ord. 10/-	3/7½	3/9	NH
114	108½	114	111½	Fund. 4½ 1960-90	108½	108½	2 9 6½	33/9	27/6	3½ a	6½ b	Textiles			
102	98½	102	101½	Nat. D. 2½ 1944-48	102	102	2 17 11	34/7½	29/6	2½ a	5½ b	Brit. Celanese 10/-	29/1	29/1	6 19 2
100½	95½	100½	100½	Do. 3½ 1954-58	100½	100½	2 9 4	29/4½	22/9	5 b	2½ a	Coats, J. & P. £1	25/9	25/9	6 11 4
100½	100	100½	100	W. B. 2½ 1945-47	100½	100½	2 7 10	19/3	15/1	7½ c	7½ c	Courtaulds £1	18/9	18/9	6 6 4
112½	108½	112½	110½	Sav. Bds. 3½ 1955-65	112½	112½	3 5 3½	43/11	45/3	110 c	110 c	English Swg. Ctn. £1	16/1	15/9	9 12 6
112½	108½	112½	110½	Victory Bonds 4½	100½	100½	2 19 3	41/3	38/3	10 c	10 c	Patons & Baldwins £1	46/10½	46/10½	8 12 6†
101	98	101½	100½	War L. 3½ 1955-59	104½	103½xd	3 7 10†	88/3	78/9	5 a	15 b	Electrical Manufacts.			
83	80½	105½	102½	Local Loans 3½	90½	90½	3 6 5	65/6	58/3	10 b	5 a	Associated Elec. £1	40/-	40/-	5 0 0
94½	85½	96½	93½	Redemption 3½ 1986-96	96	96	3 3 4	19/3	17/8	7½ a	12½ b	Brit. Insulated £1	82/6	82/6	4 17 0
101	97½	100	100	Austria 3½ 1933-53	100	100	3 7 3	80/9	77/1	20 c	7 c	Callenders £1	82/6	82/6	4 18 0
71½	59½	75½	70	India 2½	73½	73½	3 10 6	47/6	42/8	7½ b	7½ b	Crompton Pat. A. 5/-	18/9	18/9	5 6 8
97½	82½	99½	96	Do. 3½	99½	99½	3 10 6	47/6	42/8	7½ b	7½ b	British Electric £1	31/3	31/3	6 8 0
107½	101	105½	108½	Dorm. & Col. Govts.	105	105	3 16 6	36/4½	33/8	3 a	5 b	General Electric £1	80/-	80/-	5 0 0
112	106½	108½	107½	Austria 5½ 1945-75	110	110	3 1 0	35/1	29/6	3 a	5 b	Johnson & Phillips £1	45/-	45/-	6 13 4
110½	106	109½	107½	Canada 4½ 1953-58	109	109	3 17 6	34/11	31/3	3 a	5 b	Clyde Valley Elec. £1	35/-	35/-	4 11 5
105½	100	109½	107½	Nigeria 5½ 1950-60	106	106	3 17 6	34/11	31/3	3 a	5 b	County of London	30/7½	30/7½	5 6 8
108½	103	107½	106½	N. Zealand 5½ 1946	107	107	3 6 0	36/1	28/6	5 b	2½ a	Edmundson & Co. £1	25/6	25/6	4 14 0
116½	104	108½	106½	S. Africa 5½ 1945-75	107	107	3 9 0	28/3	25/8	2½ a	4½ b	Gas Light & Coke £1	31/3	31/3	4 8 0
85	74½	87½	84	Corporation Stocks	107	107	3 9 0	28/3	25/8	3 a	4 b	Lancashire Elec. £1	31/3	31/3	4 16 0
94½	85½	96½	93½	Birm'ham 5½ 1946-66	89½	89½	3 7 3	36/6	33/-	2½ a	5½ b	North-East Elec. £1	28/1½	27/6	5 17 0
104	97	103½	100½	L.C.C. 5½	95	95	3 6 4	39/3	33/9	3 a	5 b	Northampton Power £1	28/9	28/9	4 17 0
92½	71	84	77	Waterloo 3½ 1954-64	102½	102½	3 6 0	15/-	11/8	15 c	10 c	Scottish Power £1	38/1½	38/1½	8 8 8
35½	20	37	31	Midx. 3½ 1957-62	102½	102½	3 6 0	15/-	11/8	15 c	10 c	Yorkshire Electric £1	38/1½	38/1½	4 4 0
45½	19	35	26	Foreign Governments	78	78	5 16 6	17/10½	16/-	6 c	7 c	Motor and Aircraft			
25	12½	29	21	Argen. 4½ Sd. Bds.	36	36	6 18 11½	10/6	9/-	6 b	4 a	Austin 5/-	18/1½	18/1½	8 16 8
65	19	33	23	Brazil 5½ P. 1914	12	12	12 10 0	34/4½	25/9	12½ c	12½ c	B.S.A. Ord. £1	16/9	16/9	9 0 0
69	50½	65½	58	Chile 6½ (1913)	28½	28½	5 7 5	13/8	11/1	112 c	110 c	Bristol Aeroplane 10/-	10/-	10/-	10 0 0
57½	37½	45	37	China 5½ (1913)	74½	74½	5 7 5	18/10	15/9	5 c	10 c	De Havilland Aircraft £1	32/6	32/6	8 14 0†
57½	37½	45	37	Greek 6½ United 4½	11½	11½	10 12 0	14/9	11/3	10 c	10 c	Falmer & Allen 10/-	11/7	11/7	9 19 9
57½	37½	45	37	Japan 5½ 1930	29	29	4 11 7	65/-	50/7½	12½ b	2½ a	Hawker Siddeley (6½/-)	11/6	11/6	14 3 0
57½	37½	45	37	Portuguese 3½	65½	65½	10 16 3	27/6	24/6	45 c	40 b	Leyland Motors £1	57/8	58/9	8 8 1
57½	37½	45	37	Spanish 4%	40	37	10 16 3	27/6	24/6	45 c	40 b	Lucas, J. (£1)	58/8	58/8	6 19 0
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Morris Motors 5/- Ord.	25/7½	25/7½	5 8 6
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Rolls-Royce £1	73/9	73/9	5 8 6
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Standard Oil 5/-	11/-	11/-	6 18 6
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Shipping			
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Furness, Withy £1	18/6	18/6	5 8 0
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	P. & O. Def. £1	23/-	23/-	6 11 0
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Royal Mail Lines £1	18/6	18/6	5 9 9
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Union Castle Ord. £1	9/9	9/9	NH
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Tea and Rubber			
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Allied Sumatra £1	8/1½	8/1½	9 19 1
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Anglo-Dutch £1	14/6	13/9	8 14 7
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Jokal (Assam) £1	30/3	30/3	6 13 8
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	London Asiatic 2/-	2/9	2/9	7 5 8
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Rubber Trust £1	25/-	25/-	7 0 0
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	United Standard 2/-	2/-	2/-	9 0 0
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Oil			
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Anglo-Transit £1	28/9	28/1½	3 10 6
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Arabian Dredger 5/-	25/6	25/6	6 0 0
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Burmah Oil £1	45/7½	45/7½	9 6 9
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Shell Transport £1	40/7½	40/7½	2 9 8†
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Trinidad Leaseholds £1	65/7½	65/7½	4 12 0
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Miscellaneous			
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Assoc. P. Cement £1	47/6	47/6	4 4 3
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Baker (Burmah) £1	28/9	28/9	6 19 2
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Best Pure Drug 5/-	35/-	35/-	8 1 0
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Brit. Aluminium £1	39/4½	39/4½	5 8 6
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Brit. Amer. Tob. £1	83/9	83/9	4 6 6
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	British Oxygen £1	62/6	62/6	6 7 0
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Cable & W. H. Ind. Stk.	3	3	7 2 0
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Carrara A. Ord. £1	82/6	82/6	10 2 6†
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Dunlop £1	32/6	32/6	7 14 0
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Elec. & Mns. Ind. 10/-	7/3	7/6	NH
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Ever Ready Co. 5/-	25/6	26/1	7 14 0
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Forestral Land £1	22/6	22/6	6 2 3
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Gallagher Ltd. Ord. £1	21½xd	21½	6 5 9
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Gestetner (J. O.) 5/-	4½	4½	5 17 9
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Harrison & Cro. Df. £1	25/-	25/-	3 4 0
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Hercules £1	20/1½xd	20/1½	5 11 4
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Imp. Chem. Ord. £1	10/-	9/4½	7 11 0
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Imp. Smelting £1	8½	8½	8 6 0
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Imp. Tobacco £1	8½	8½	8 6 0
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Inter. Nickel n.p.	21/10½	20/7½	5 1 0
57½	37½	45	37		40	37	10 16 3	27/6	24/6	45 c	40 b	Lever & Unilever £1	47/6	47/6	4 4 3
57½	37½	45	37												

THE BANK OF NOVA SCOTIA

(Incorporated in Canada with Limited Liability)
Established 1832
General Office: Toronto, Canada

Paid Up Capital	\$12,000,000
Reserve Fund	\$24,000,000
Total Assets over	\$300,000,000

Special facilities are available to the public through the Branches of this Bank for the transaction of business with Canada, Newfoundland, Cuba, Puerto Rico, Dominican Republic, Jamaica, and the United States at Boston and New York.

Address enquiries to
London Branch:
108 OLD BROAD STREET, E.C.2.
E. C. MACLEOD, Manager

NATIONAL BANK OF EGYPT

Incorporated in Egypt
Liability of Members is Limited

Head Office - - - CAIRO
Commercial Register No. 1, Cairo

FULLY PAID CAPITAL	£3,000,000
RESERVE FUND	£3,000,000

London Agency:

6 & 7 King William Street, E.C. 4
Branches in all the Principal Towns in EGYPT and the SUDAN

THE NATIONAL BANK OF SCOTLAND LIMITED

Head Office: EDINBURGH
ESTD. 1825
Branches throughout SCOTLAND

LONDON OFFICES: 37 Nicholas Lane, E.C.4; and
(Temporarily at 9-13 King William Street, E.C.4)
18-20 Regent Street, Piccadilly Circus, S.W.1
Every description of Banking Service undertaken, including Foreign
Exchange, Trustee and Executive business.

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	143,400,000

Head Office - YOKOHAMA

BRANCHES IN ALL PRINCIPAL PARTS OF THE WORLD
London Office: 7 BISHOPSGATE, E.C.2 H. KANO, London Manager

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS	£13,000,000
ASSETS EXCEED	£74,000,000
CLAIMS PAID EXCEED	£133,000,000

(1940 Accounts)

DOMINION OF CANADA

3½ PER CENT. REGISTERED STOCK, 1958-63

For the purpose of preparing the Interest Warrants due 1st July 1941, the BALANCES will be STRUCK on the evening of the 3rd June 1941, after which date the Stock will be transferred ex-dividend.
For BANK of MONTREAL, Financial Agents of the Dominion of Canada in London.

EDWARD POPE, Manager.

47 Threadneedle Street, E.C.2.
1st May, 1941.

PROVINCE OF ONTARIO

3½ PER CENT. REGISTERED STOCK, 1946, and 4½ PER CENT. REGISTERED STOCK, 1945-65

For the purpose of preparing the Interest Warrants due 1st July 1941, the BALANCES will be STRUCK on the evening of the 3rd June 1941, after which date the Stock will be transferred ex-dividend.
For BANK of MONTREAL,

EDWARD POPE, Manager.

47 Threadneedle Street, E.C.2.
1st May, 1941.

PROVINCE OF NEW BRUNSWICK

4 PER CENT. REGISTERED STOCK, 1949

For the purpose of preparing the Interest Warrants due 1st July 1941, the BALANCES will be STRUCK on the evening of the 2nd June 1941, after which date the Stock will be transferred ex-dividend.
For BANK of MONTREAL,

EDWARD POPE, Manager.

47 Threadneedle Street, E.C.2.
May 1st, 1941.

PROVINCE OF QUEBEC

4½ PER CENT. REGISTERED STOCK, 1954

For the purpose of preparing the Interest Warrants due 1st July 1941, the BALANCES will be STRUCK on the evening of the 3rd June 1941, after which date the Stock will be transferred ex-dividend.
For BANK of MONTREAL,

EDWARD POPE, Manager.

47 Threadneedle Street, E.C.2.
1st May, 1941.

CITY OF REGINA

5 PER CENT. CONSOLIDATED REGISTERED STOCK, 1942-63

For the purpose of preparing the Interest Warrants due 1st July 1941, the BALANCES will be STRUCK on the evening of the 3rd June 1941, after which date the Stock will be transferred ex-dividend.
For BANK of MONTREAL,

EDWARD POPE, Manager.

47 Threadneedle Street, E.C.2.
1st May, 1941.

GOVERNEMENT IMPERIAL DU JAPON

EMPRUNT 4 PER CENT. DE 1910

FRANCS 450,000,000

NOTICE IS HEREBY GIVEN that the COUPONS due 15th May 1941, will be PAID on and after that date (Saturdays excepted), between the hours of 11 and 2 at The Yokohama Specie Bank, Limited, where lists may be obtained.

Coupons, which must be left three clear days for examination prior to payment, will be paid at the rate of exchange on Paris ruling at the time of their presentation.

For the YOKOHAMA SPECIE BANK, Limited,

H. KANO, Manager.

7 Bishopsgate, London, E.C.2.
30th April, 1941.

TERMS OF SUBSCRIPTION TO THE ECONOMIST

12 Months	£ 3 0 0
6 Months	1 10 0

Cheques to be made payable to The Economist Newspaper Ltd.

PUBLISHING OFFICE:

8 BOUVERIE STREET, LONDON, E.C.4
Telephone: Central 8631

THE ECONOMIST

Vol. CXL

MAY 10, 1941

No. 5098

CONTENTS

LEADING ARTICLES

His Majesty's Government	611
Fighting in Iraq	612
Canadian Ally	614

NOTES OF THE WEEK

Spanning the Atlantic	615
American Ships	616
Changes at the Kremlin	616
Telling the Reichstag	616
Business as Usual	616
Cautious Progress	617
The Western Desert	617
The Food Question	618
Defence of the Union	618
The War of Nerves	618
Iraq's Oil	619
By Any Other Name	619
Debating Public Schools	619
Family Allowances	619
Concentration in Whitehall	619

THE WORLD OVERSEAS

South America's Airways	620
Improvement in Eire's Supplies	621
Arbitration in Australian Labour Disputes	621

THE WORLD OVERSEAS—cont.

The Distribution of American Trade	622
German Europe	623

THE BUSINESS WORLD

LEADING ARTICLES	
Investment and the Lyttelton Plan	624
Non-ferrous Metals in War	625

FINANCE AND BANKING

Treasury Bill Allotments	626
Mexican Misgivings	626
Hambros Bank	627
U.S. Balance of Payments	627

INSURANCE NOTES

The London Assurance	627
Co-operative Insurance Society	628
The Sun Life Assurance Society	629
Scottish Provident Institution	629

INVESTMENT NOTES

The Turning Tide	628
The April Recession	628
Demand for "Assented" Stock	629

COMPANY NOTES

Marks and Spencer Profits	629
Johnson and Phillips Progress	630
Colvilles' Accounts	630
United Molasses	630
The "Johnnies" Group	630
THE STOCK EXCHANGES	631
CAPITAL ISSUES	631
SHORTER COMMENTS	631

INDUSTRY AND TRADE

Rubber under Control	632
Rubber Supplies	632
Retail Trade	632
Textiles of the Future	632
American Export Policy	633
Zinc	633
Europe's Pre-War Trade	633
COMMODITY AND INDUSTRY NEWS	644

COMPANY MEETINGS

CURRENT STATISTICS	640
--------------------	-----

His Majesty's Government

It is exactly a year ago this week since the great two-day debate in the House of Commons that brought Mr Chamberlain down. And again the Government has been facing its critics in a two-day debate. But if there is this formal similarity between May 1940, and May 1941, the fundamental position is utterly different. The country has found unity behind Mr Churchill such as it never quite attained at any time in the last war. There is no other possible leader in sight. Indeed, that is too grudging a testimony. Mr Churchill is not a *pis aller*; he is a great leader of men. He has touched and uplifted the hearts of men wherever in the world they are free—and here, in this island, where the shield of freedom is being borne, he has earned the title his great ancestor carried, that of Captain-General of England.

Yet there is disquiet and anxiety in the country. Why? Partly no doubt the reason is to be found in the natural reaction that bad news produces when it follows hard on the heels of good. The successes of March were far too sanguinely interpreted, and those who were most hopeful then are the most gloomy now. One of the most serious charges brought against the Government in this week's debate was that over-optimism was officially encouraged. The charge is well founded. The Prime Minister himself must be acquitted; he rarely misjudges the country's wish, which is to be told the worst that is true. But he is seemingly the only person in the whole Governmental machine who has grasped this simple fact. It is not so much the paucity of hard fact to which there is objection—the man in the street knows that there are many things he cannot be told—it is the consistently over-optimistic tone of the "spokesmen's" commentaries, of the inspired interpretations, of the Parliamentary speeches of minor Ministers and their Parliamentary Private Secretaries that causes alarm and

despondency. The Prime Minister would do well to impose his own standards on the whole machine.

When this factitious reaction from over-optimism is discounted, a great deal of the exaggerated gloom of the last few weeks goes with it. The situation to-day is not greatly different from what was anticipated six months ago. It was expected that there would be heavier night bombing, that there would be a sustained campaign against shipping in the Western Approaches, that there would be a drive against Egypt. In none of these respects are things going worse than was to be expected last November. The only real surprise in the debit ledger has been the defeat in Cyrenaica—but then the preceding conquest of that province was an equally surprising item on the credit side of the account.

This does not, of course, mean that the position is good or that it is strategically favourable. Britain is still on the defensive, fighting desperately against very heavy odds. There are still the familiar and heart-breaking shortages of men, of guns, of aircraft, of tanks, of ships. The Greek campaign did not reveal these shortages for the first time—or in greater measure than was known to exist—indeed, the only continuing deficiency that can fairly be deduced from the Greek campaign is the shortage of ships. If the first crime, in a situation of extreme peril, is complacency, the second is lack of a sense of proportion. Had Mr Churchill predicted six months ago that the nation would stand in the second week of May exactly where it stands to-day, it would have been accounted a hopeful prophecy.

Not all the disquiet, however, by any manner of means, is to be disposed of in this way. There are real causes for anxiety and sound reasons for criticism. One of a general nature was emphasised in *The Economist* last week. The great transformation of American policy and action is one of the chief gains

of the past six months. But there is a real danger lest, in contemplation of the magnitude of America's resources, the British people should relax their own efforts. For another twelve months, it cannot be too often repeated, the future of the world—and our own safety—lies almost entirely in British hands. It is perhaps the one mistake that Mr Churchill has made in the handling of the people in recent months that he has not emphasised this fact. What is needed this summer is not any relaxation of effort, but another tremendous burst of energy such as was put forth with such zeal and devotion last year.

This is, of course, the Government's business. The people will respond to leadership. They will once again "Go to it," but only if they are told where to go and what to do. And the Government must go to it too. Many of the old defects remain, and if the public's support of Mr Churchill is enthusiastic, it has a very different opinion of many of his colleagues. There is still too much timidity of decision. It is true that a step that has been taken in the past week, the amalgamation of the Ministries of Shipping and Transport, promises drastic action to meet one of the most serious deficiencies. Mr Leathers is not known to the public; but his first declarations show that he grasps the point at issue. He has made it clear that he believes in regarding the entire transport system of the country as a unit; and if he can show that the new arrangement is not a mere administrative regrouping but the beginning of a real transport policy, he will be a great reinforcement to the Government. A certain scepticism is only natural, for there have been too many cases in which some basic principle of war economics has been accepted, under heavy pressure, and then left in the air without

practical application. The most flagrant example, of course, is Mr Bevin, whose course of action over the conscription of labour (of which the latest episode is discussed on page 616) is not very far removed from deception of the people. It is the spectacle of Mr Bevin talking hot and acting cold which, more perhaps than any other single factor, accounts for the undercurrent of uneasiness in the country.

It is for these reasons that the suggestion of a small War Cabinet of Ministers without departmental duties is put forward with such persistence by so many of the Prime Minister's most devoted supporters. It may be that it is also used as a stalking horse by those whose real game is to embarrass Mr Churchill—and if so he is politically wise to reject their suggestions. He must be the sole judge of that. But it shows a misconception both of the idea and of the motives of most of its proponents, to say, as Mr Churchill did on Wednesday, that it is an attempt to surround him with a group of "No" men. That is not at all the proposal; it is rather that the Prime Minister should have a War Cabinet of men who (as Mr Lloyd George said of his lieutenants in the last war) are "eyes and ears—and a good deal of toe." They should not be "No" men so much as "Go" men. Lord Beaverbrook is apparently to fill that rôle in a sphere wider than Aircraft Production; it is fantastic to suppose that there are no others in the country.

There was an undoubted touch of acrimony about this week's debate. The more is the pity, for it does not represent the mood of the country and it will undoubtedly militate against the Prime Minister's accepting suggestions for the strengthening of his Government that are very widely, most earnestly and quite sincerely offered to him.

Fighting in Iraq

FIGHTING broke out in Iraq on May 2nd, and after a week's campaign the British Army is advancing into the country. It is too early to forecast the shape of the struggle, but on the British side the time factor is the key to success or failure. The Iraqi army, thanks to Great Britain's interest and assistance, is an efficient and well-mechanised force. Nevertheless, there can be little doubt that vigorous British action and the despatch of reinforcements can restore the situation provided the necessary measures are taken in time.

The extent to which the situation was allowed to deteriorate before action was taken is enough to throw doubt on the efficacy of British diplomacy, which cannot escape the suspicion of having been weak, vacillating and ill-informed. It was not as though there were any excuse for being caught unawares. Ever since the Sidky Bekr *coup d'état* in 1936, and more especially since Rashid Ali el Gailani succeeded General Nuri-es-Said as Prime Minister in March, 1940, the attitude of the Iraqi Government has been very unsatisfactory. To give the most obvious example of their obstructive policy, they refused to break off relations with Italy a year ago, and the Italian Legation has ever since been a centre of Axis intrigue. The brief supersession of Rashid Ali by General Taha-el-Hashimi in March and April this year only increased the tension, and on the proroguing of Parliament the ex-Prime Minister, backed by the Army, staged a *coup d'état*, deposed the Regent, Emir Abdul Ilah, and, after appointing the Sherif Sharif to succeed him, set up a new "constitutional" Government. The British authorities then exercised their treaty rights (which permit them to use Iraq's communications, airports and waterways in time of war) by despatching reinforcements to Basra. At first the Rashid Government made a show of compliance, but when further troops arrived transit was refused, and, on Britain's insistence, the Iraqi Army launched an attack on the British air station at Habbaniyah.

The connection of the Iraqi incident with the general strategy of the war is obvious enough. Whether the clearing of the Mediterranean is the next main objective of the German General Staff or an elaborate feint to draw British forces and attention away from the invasion front, the crux of the Eastern Mediterranean sector is the defence of Suez. In the south, the land attack has advanced as far as Sollum, in the north to the Peloponnese, to the islands of Greece and to Rhodes. Now that a new front has opened to the east, the aim of Hitler's generals must be to effect a junction with the Iraqi forces before their offensive is crushed. It seems certain that the despatch of British troops to Basra upset the timing of the Iraqi *coup*. Rashid Ali had to act before the British were strongly reinforced, and he was therefore compelled to begin the fight before the Germans had fully liquidated the Greek campaign or cleaned out the fortress of Tobruk.

The Germans probably do not think of transferring massive land forces from Greece to Iraq. Air strength is the decisive factor. Hence it is unlikely that the Germans need at the moment either to threaten or cajole the Turks into permitting the transit of troops. Such a step might come later when prolonged isolation and inactivity had reduced Turkey to the impotent status of a Near Eastern Sweden. The Germans are almost certainly more interested in Syria, where there are landing fields, facilities for re-fuelling, a demoralised administration, public ferment and some sympathy for the Rashid Ali regime. Given Syrian co-operation, the Germans may well hope to turn Iraq into a hostile base for the encirclement of Suez and the total isolation of Turkey.

Behind these immediate strategic considerations lies Germany's interest in the oil supplies of the Near East. It is true that it would take months to restore production in Iraq and transport would remain a

serious problem. Yet it is in fact the need for oil that makes control of the Mediterranean and its hinterland a valuable prize.

As usual in a Nazi campaign, intervention, if it comes, will be only the crowning phase of a long process of diplomatic and psychological preparation. The Germans have experience of Middle Eastern politics from the last war, where their agents—Wassmuss, Schünemann, von Hentig, Seiler—bid with Lawrence and Dunsterville and Sykes for the support of the Arab peoples, and it is significant that both Seiler and von Hentig have been until very recently in Iraq, Iran and Syria. In the last war, the Germans were fatally handicapped by the fact that they were allied to the Turks, against whose dominion the Arabs were seeking to revolt. In this war, the disadvantage has shifted somewhat to the Allied side, for although Iran and Saudi Arabia have obtained complete independence and Egypt and Iraq almost complete independence, France and Britain are the Mandatory Powers in Syria and Palestine and their treaties with Egypt and Iraq impose certain obligations. Against this may be set the obvious readiness of Great Britain to concede ultimate independence and Germany's black record with the subject peoples of Europe. Nevertheless, the French and British are the imperialists on the spot, and this fact has given the Axis propagandists their opportunity.

It is difficult to assess the strength and significance of Arab nationalism. It usually takes the form of the demand for some sort of Arab confederation, but there is no agreement on its constitution and leadership. Moderate pan-Arabism has much in common with enlightened public opinion among the Allies, since its supporters recognise that only with Allied help could the Arab States achieve cohesion and protection against the predatory Great Powers. To this school of thought belonged Dr Shahbender, the murdered Syrian leader. It has supporters among the more responsible officials throughout the Middle East, and some quiet preparatory work—the discussion of a Customs Union, of frontier delimitation and so forth—has been accomplished. To a full understanding among these people, the undefined but not unfriendly attitude of Ibn Saud, and, to a much greater extent, the unsolved problem of Palestine are serious obstacles.

It is not with the moderates that the Axis propagandists have established contact. Extremist pan-Arabism is negative, and all the fiercer on that account. It has solved none of the problems of an Arab confederation—whether Iraq, Saudi Arabia or Egypt should lead, whether race or religion should be the test, the fixing of frontiers, the economics of co-operation—and it derives its force from its clamour against Britain and France. Whatever else is built afterwards, it is claimed, British and French rule must first be torn down. The chief centre of the movement is in Iraq, but it is strong in Syria and, naturally, in Palestine. The Mufti of Jerusalem has played a part in inciting opinion and he has found a ready audience, particularly in army circles in Baghdad. It is with these groups that German agents have been in touch. An alleged Iraqi gives the quivering broadcasts from Berlin. Syrian and Iraqi notabilities are often to be seen in Germany. How far co-operation has gone it is still impossible to say. Reports speak of the arrival in recent months of Axis war material. The consignments are not likely to have been heavy and the evasions with which the

Nazis countered the news of Rashid Ali's first appeals for help suggest that plans were not at that time fully concerted. But Axis influence is all too apparent in the shape and timing of the final *coup*.

Nevertheless, it should not be thought that pan-Arabism is the decisive factor, even though it has created an entry point for Axis propaganda. British administration, even in Palestine, has in no sense been as hopeless and onerous as the Ottoman rule against which the Arabs rose in arms in the last war. The Arabs know that Britain is a satisfied Power, that her diplomacy is conciliatory and that there exists a genuine desire to find a solution compatible with Arab independence. The decisive factor is not political aspiration but power. The real force behind Axis propaganda is not that the Arabs believe they will achieve independence in the New Order but that they fear an Axis victory. Until the French collapsed there was quiet in Syria. While General Wavell was advancing on Benghazi there was quiet in the Middle East. To-day, in spite of General Dentz's efforts, French authority has degenerated so far that much of it has passed to the Syrians, and they are swayed this way and that by the fortunes of battle. In the Middle East generally, the rapid advance of Hitler's armies across Libya and the lightning campaign in the Balkans are the Nazis' best arguments when bargaining with a Rashid Ali or a Prince Aslin. It is the old weary argument.

"The British are decent. If they win they will treat us well in any case. But if the Nazis are to win, we must buy their favours now."

It follows that only in one way can the situation in Iraq be restored—by vigorous action. Surveying the Near East just over a year ago *The Economist* wrote:—

We owe the advantages of our Near Eastern position to the fact that we are powerful and satisfied. If we cease to be powerful, the question whether or not we are satisfied will become entirely academic. The Near Eastern States will be reckoning how best they can come to terms with our conquerors. . . . One thing is certain. We cannot fall back on a favourable Near Eastern situation. We can only create it.

Events have only borne out this analysis. The only argument which can impress Iraqis, Syrians, Palestinians, and even Egyptians to-day is clear proof of Britain's ability to maintain her position and strike back. It follows that the Turkish and Egyptian offer of mediation cannot even come under consideration until the Iraqi army has abandoned all resistance and that the conditions of a settlement must include the return of the Regent, the restoration of Constitutional government and the eclipse of the Rashid Ali regime.

Great Britain has her sympathisers in all the Arab lands, but they will only be rallied to a cause which looks like holding its own. The extent to which British forces can be deployed in the new front is beyond the competence of civilian observers to determine. Against the obvious danger of allowing Iraq to fall must be set the fact that it is essentially a diversion and the immediate defence of Suez must continue to absorb the major part of Britain's African resources. Nevertheless, if it is humanly possible, courageous military action must make good the damage done by faulty diplomacy. The Middle East is the last area in the world where Great Britain can afford the luxury of appearing less strong and determined than she is.



Canadian Ally

THE Canadian scene can be easily misread. Once more, Mr Mackenzie King, the Federal Premier, is being sharply criticised, and there is sufficient acrimony in the politics of the Dominion to give the appearance of a house deeply divided. Axis propagandists are not slow to point out another weak place in the Imperial war front; but actually they are wrong, for (as Mr Graham Spry shows in a notable vignette of the Dominion published recently*) Hitler has united Canada. Canada is, of course, divided by geography, race and religion. The centres of population in the Atlantic provinces are 700 miles from central Canada; central Ontario is 900 miles from the prairies; and the prairies are 400 miles from the Pacific coast. It is a nation of fewer than twelve million people scattered over a vast sub-continent cut up by rocks and mountains and water. "Quebec, northern New Brunswick and north-eastern Ontario are largely French and Catholic. Ontario, British Columbia and Nova Scotia are predominantly Anglo-Saxon and Protestant. The three prairie provinces are less than half Anglo-Saxon, and there are significant groups of Germans, Scandinavians and Slavs." Four-fifths of the people are less than 200 miles from the American border; nearly a quarter of them were born outside Canada; and Canadians may have loyalties to Washington, Paris or Rome as well as to London and Ottawa. But, though there is no uniformity in Canada—the choice between Vichy, where the Dominion is represented, and General de Gaulle has caused sharp controversy in French Canada—there is unity in the war effort; and it is the first merit of Mr Spry's book that he makes this distinction plain.

For a week after Britain was at war with Germany, Canada was neutral. Then, when the neighbouring United States, with the same strategic and geographical interests at stake, unanimously preferred neutrality, Canada unanimously chose war. Later the decision was twice endorsed at the polls, once in Quebec and once in the entire Dominion. In contrast to Eire, Canada came freely into the fight; and in contrast to South Africa, there is no anti-war Opposition there.

Yet criticism and quarrels persist. "Each race, each group, each section, each religious faith felt the threat of a resurgent Germany"; but the sections remain. The Dominion is a federation. Its people are "federal-minded"; and "to the divisive influences of geography, race and religion" is added "the disintegrating force of provincial sovereignty." In peacetime, the Federal Government lacks the powers to tackle national problems on a national scale; and this weakness in the spheres of social, financial and economic policy is more than ever a hindrance in wartime. A battle is going on even now between the farming provinces and the Government; and it is illustrative of the background of Canadian war politics that the recommendations of the Royal Commission on Dominion-Provincial relations, set up four years ago to look into the distribution of powers and revenues between the central and provincial governments, have lately been blocked at a bitter conference by the opposition of three of the ten provinces. The main reason is that it was proposed by the Commission that the provinces should cease to be the collectors of income tax, corporation tax and succession duty. These taxes were to be collected by the Dominion Government, which would take over unemployment relief and provincial debt, making grants from central funds where needed. Now the Budget for 1941-42, introduced last week, has raised this controversy again.

The Dominion requires \$300 millions more tax revenue this year; and it is proposed that the provinces should vacate the field of income and corpora-

tion tax for the duration of the war. Two other taxes formerly provincial, the succession duty and the tax on petrol, appear in the Budget. Power follows finance. The same struggle has gone on for generations in the federation of the United States, as nation-wide duties have arisen to be centrally done; and it is hard to see how the Dominion Government can fight and finance this war without focusing the powers and revenues needed. The present proposal is a compromise. It begs the question whether, in a modern State, positive and efficient government is possible, even in peacetime, in face of federal checks. With much argument, the compromise will be accepted, but the debate will still go on.

Actually, this Budget is itself proof enough that Canada's war effort is not being stemmed by dissension. The first estimate of war expenditure in 1940-41 was \$500 millions. After Dunkirk, it was raised to \$700 millions. In the event, it was \$1,800 millions, something like a quarter of Canada's national income, which is rising rapidly; and in 1941-42 war expenditure is to be \$1,450 millions. Total expenditure will be \$1,918 millions—over \$160 (or £35) per head of the population, man, woman and child. The corresponding figure in Great Britain is £94 per head. Canada still has much slack to take in. But there is no doubt about the scale of the effort. Canada is high among the industrial nations—sixth or seventh. The Dominion is the third largest exporter in the world, and the largest exporter of wheat and non-ferrous metals. The national income of Canada is equal to Italy's and a quarter of that of Germany and Austria together. Total production in the Dominion is said to be 70 per cent higher than in 1918, though the population is only 25 per cent larger; and actual output for the war—almost every weapon is being made in Canada—is very much greater than it was in 1918, when the Dominion war effort was at its peak. The flow of food, raw materials and manufactures makes Canada granary, mine and arsenal alike to the Commonwealth. On land, the Canadians have not shared the ordeal of the Anzacs, but the Canadian Corps is the pivot of Britain's defence. In the Atlantic, the Canadian Navy has a central rôle. In the air, Canadian pilots and squadrons have been in the fight since it started, while the Empire Air Training Scheme in Canada is a main pool for RAF personnel.

Why, then, is Mr Mackenzie King so sharply assailed? Partly, it is the normal, healthy process of Parliamentary surveillance and criticism, which the Nazi can never understand. Partly, it is the consequence of provincial fears and grievances. But partly, too, it has been the Government's fault. The war is not opposed by the Canadian critics. The scale and direction of the war effort are not fundamentally questioned. It is the conduct and management of Canada's effort that have been arraigned, and last February the attack became "a grave political storm." It was then claimed that aircraft production in Canada was in "an impossible position"; that the planes made were primarily training machines; that the official comparison between the output of light fuselages in Canada and the output of complete planes in the United States, some of them four-engined bombers, was misleading; and that the Empire Training Scheme was badly behind schedule. Criticisms were made of shipbuilding, the supply of military equipment and tank production; and, while it was made clear in the discussions that the opposition had gone much too far, it was plain at the end that there were serious hold-ups and bottle-necks in war production. In the production of shells, bombs, vehicles, clothing, equipment, chemicals, and explosives there have been marked successes; in the

production of tanks, guns and aircraft, and in the supply of machine tools, there have been several failures and disappointments.

As in Britain, the shortcomings of war government in Canada have been mainly economic; and because of the sectional character of Canadian life and politics, it is not possible to set up a National Government drawn from all parties and groups, and, most important of all, from all talents. There is a weakness in personnel which was not lessened by the Liberal triumph at last year's general election. Nevertheless, what faults there are—and the successes much outnumber the failures—are not merely political in origin. The Munitions and Supply Department in Canada is directed in the main by business men, not politicians. The root of the trouble is simply the difficulty in a democracy and a federation of changing over from peace to war economy, a difficulty which is aggravated in the case of Canada by technical causes.

Canada is in no sense self-sufficient. What the Dominion buys from the United States is normally paid for by the proceeds in gold and dollars of sales to the United Kingdom; and Canadian industry is interlocked with American, a connection which has caused great difficulties in working out designs for tanks and aircraft to be built in Canada and which implies, in most items of manufacture, that Canada must depend on the United States for many of the parts to be assembled. Since the war started, purchases from America have gone up, swollen by raw materials, components and machinery for war production, and the deficit in this trade is growing. On the other hand, although sales to the United Kingdom have also mounted, the United Kingdom is short of gold and dollars to pay with; and the problem of paying the United States has therefore become serious. Every month, twice as much in value is bought by Canada from the United States as Canada sells to the United States.

In trade with the United Kingdom last year, there was an export surplus of \$787 millions, of which between two-fifths and a half was covered by the repatriation of Canadian securities, a third by the transfer of gold from the United Kingdom, and a fifth simply by the accumulation of sterling balances in London on Canadian account. This year, when Canada is to supply \$1,500 millions' worth of munitions, materials, and agricultural produce to the United Kingdom, the British deficit may be \$1,150 millions; there are limits to the quantities of gold and Canadian securities that can be thrown in; and there is the

prospect of a "substantial war debt" due from Britain to Canada.

The position is, therefore, that Britain cannot pay Canada, and Canada finds it correspondingly difficult to pay the United States for essential war supplies. But these are precisely the considerations of finance which President Roosevelt has laid down must not hobble full aid to the democracies; his remedy is to pay for goods with goods or the promise of goods; and Canada is bound to the United States, not only by the joint American-Canadian Defence Board, but also by the joint committee which has just been set up to work out priorities for war materials. The Lease and Lend Bill can be used to ease the strain; under it, Britain can count goods and materials sent to be worked up in Canada. Last month's Hyde Park Agreement between the President and Mr Mackenzie King will ease the strain further by facilitating the delivery from Canada of munitions, strategic materials, aluminium and ships in return for American supplies. The new Budget tackles the problem on the other side, by making it easier for Britain to pay Canada in goods. There is to be a discount of 25 per cent in the duties on imports of woollens, boots and shoes from the United Kingdom and 50 per cent on all other imports except spirits, tobacco, sugar, and silks. The dollar problem will remain difficult; and debts may pile up on two sides of the triangle United States—Canada—United Kingdom. But it is a gain that, though faced with onerous expenditure, heavy enough to require a sharp increase in income tax, new taxes on successions and petrol and new levies on cinemas, amusements, betting, and on travel by rail, road and air, the Canadians have been realistic enough to make these reductions in duty.

Canada is "Britain's first ally"; and the Dominion is part and parcel of North America as well. Without North America, the war would be lost; and the statesmen of Canada, like those of the United States, have a historic task. By and large, they have shown the way to their neighbours. It is an answer to Axis propagandists that Canada went to war when the United States did not and set the pace in North American mobilisation. But it is not a complete answer to the friendly critics. There is a saying that "Canada is a difficult country to govern." Mr Spry points out that there are two kinds of Canadian politician: those who represent provincial and sectional interests, and those who are "nation-minded." To-day, there is need that the latter, on both sides of the political fence, should prevail, if the united will of the Dominion is not to be hindered by lack of leaders.

NOTES OF THE WEEK

Spanning the Atlantic

In the Battle of the Atlantic, Mr Churchill reported on Wednesday, "we are maintaining great progress, though with heavy losses"; and, with assistance from the United States, "we can probably maintain our minimum essential traffic during 1941." The United States is to assemble two million tons of merchant shipping for "all-out aid to the democracies." Negotiations are going on with other American republics. Newly-built ships will be recruited for the pool; shipping routes will be readjusted and vessels drawn from inter-coastal, coastal and Great Lakes employment; under a Bill now before Congress, foreign ships in American ports will be requisitioned and impressed. This is strikingly good news for the future, for the scale and scope of the island and Imperial war effort will be decided by the available tonnage of ships. Shipping space is the bottleneck through which overseas supplies must pass, and the establishment of this pool, to be supplemented from the gathering output of American shipyards, goes to ensure its being sufficiently wide. But, though there is strength in numbers, there is not necessarily safety, while the Battle of the Atlantic hangs in the balance. "Our test is the number of tons of imports brought into these islands in any given quarter in

any given year." It is arrivals in British ports that matter most just now—protection rather than tonnage; and the American decision on convoys has not yet been made. The President, in a speech whose terms were perhaps more general than many had expected—and hoped—has said that America is ready to fight for democracy. More specifically, Mr Willkie has offered his support for conveying American arms to Britain. A host of politicians, naval men and newspapers have also spoken for convoys; and, most significant of all, Mr Stimson, the Secretary of War, in a challenging broadcast to the nation, has called for the use of the American fleet to reinforce the British navy—to save America from the deadly peril that would follow if the Battle of the Atlantic were lost. The signs are that Mr Roosevelt is waiting for rising opinion to push him into the decision, which will risk probable war; and he is waiting in half-way house. There are patrols—reaching from the Atlantic coast to Greenland and far out into the ocean, to watch for raiders and to warn their victims—but no convoys; this week commanding officers from most Latin American navies have come for talks in Washington. The news of America's help in spotting caused "indescribable relief" in high quarters in Britain, but it is not protection.

* "Canada." By Graham Spry. Oxford Pamphlets on World Affairs. No. 47. Oxford University Press. 32 pages. 3d.

American Ships

The aid that the United States can give, in warships and merchant vessels, can be decisive. The Washington Treaty of 1922 gave the United States the right to build a navy equal in size to Great Britain's, and American naval shipbuilding capacity is already large. According to the *American Journal of Commerce* of February 14th, no less than 433 naval vessels were then under construction, 185 of them in private shipyards; they were made up as follows:—

	No.		No.
Battleships	17	Submarine tenders.....	7
Seaplane tenders.....	32	Repair vessels.....	4
Aircraft carriers	12	Mine-layers.....	3
Cruisers	54	Destroyer tenders	3
Destroyers	204	Submarine reserve vessels	5
Submarines	81		
Minesweepers	11	Total	433

The volume of merchant ship construction, however, has fallen rapidly from the heights reached in 1919. Twenty-five years ago, America's output of merchant ships, excluding Lake vessels, rose from 157,000 gross tons in 1915 to 3,580,000 gross tons in 1919. According to the *Journal of Commerce*, the volume of merchant ships delivered in 1939 was only 241,000 gross tons; in 1940 the deliveries aggregated 445,000 gross tons, and in 1941 they are expected to reach 860,000 gross tons. Various alterations in the programme announced since last February may bring this year's total to one million gross tons; but, with America's vast resources in materials and industrial skill, it should be possible for the United States to exceed even the 1919 output within a not too protracted time.

* * *

Changes at the Kremlin

The news that Stalin has formally assumed the functions he has long exercised—those of the supreme direction of affairs—is the most significant report that has come out of Russia for some time. In effect, of course, Stalin has been in supreme control since 1924, but he has preferred to exercise his total power through a variety of puppets, and has never sought any other title than that of Secretary-General of the Communist Party and member of the Supreme Council. Now it is announced that he is to succeed M. Molotov as Prime Minister (or Chairman of the Council of People's Commissars), while Molotov will retain the Foreign Office and act as Stalin's assistant. There is inevitably the widest speculation about the meaning of Stalin's emergence into the limelight, and the clam-like quality of Russian diplomacy allows for the most divergent interpretations. It is possible that as the process of purging continues—now fast and furious, now slow moving and unostentatious—the number of men on whom Stalin can rely at all has gradually dwindled. It is not an uncommon phenomenon at the court of an absolute ruler where the desire to gather all the reins of government into one hand is reinforced by the supposed unreliability of all alternative drivers. Molotov has had a relatively long lease of life, but there have recently been signs of *malaise*. In February this year, during a purge in which some officials were dismissed “for not having fulfilled their obligations,” the name of Molotov's wife was removed from the list of reserved members of the Central Committee. The process of demotion by stages is customary in Russia, and it may be that Molotov has embarked on his downward journey to oblivion or worse. If this interpretation is correct, the change of office is a matter of domestic politics—the discrediting of Molotov, and Stalin's inability to find anyone else. Yet it is hardly likely, at this time of crisis, to be a matter of domestic politics. A far more probable interpretation relates Stalin's decision to the growing tension with Germany. If a crisis is imminent, Stalin may well prefer to be openly and completely identified with the policy he pursues, since he alone commands the fanatical loyalty and blind confidence of the Russian masses. There remains the major problem of Hitler's plans and Stalin's reactions. The German dictator has the choice of three conquerors of old, westwards with Julius Caesar, to Moscow with Napoleon, to Syria, Persia and India with Alexander. There is no evidence—beyond a persistent war of nerves the length of the Russo-German frontier—to suggest that he has already made the choice of Napoleon. Still less is it possible to forecast Stalin's

reactions. There is that in his career to suggest a preference for the way of compromise, delay and double-dealing. He intrigued rather than fought his way to power. If this trait is dominant, the Prime Minister of Russia may yet play the part set for the former Prime Minister of Yugoslavia and the present Dictator of Italy. On the other hand, it is from Stalin that has come the ever-growing emphasis on Great Russian nationalism. The “military vanguard of world revolution” may yet be set in motion by a reaction as simple and direct as an old-fashioned patriotism.

* * *

Telling the Reichstag

Hitler has pronounced the epitaph on the Greek campaign in a speech which was remarkable as much for its omissions as for what it said. In his assessment of the losses suffered by Germany and the numbers of troops engaged, he seems to have allowed his fancy free play. Claims and counterclaims are, however, of rather academic interest. It is for hints on the next move in Germany's strategy that Hitler's speech will be most closely examined, and in these it is singularly barren. The warm thanks to Hungary and Bulgaria for their “loyalty” suggests that both countries are to receive more compensation at Yugoslavia's expense. Italy's great role in “weakening” the Greek Army is also to receive recompense. It is interesting to speculate where. The historic Italian claim is, of course, Dalmatia, yet it appears to be unallotted, so far. Possibly the claims of Hungary and of puppet Croatia are not yet sorted out. However, Italy has recouped herself by taking Slovenia, and nothing could better illustrate her dependence upon the Reich. There are important German minorities in Slovenia, but so completely are Italian interests subordinate to German, that it is a matter of indifference to the Nazis whether or not the local *Gauleiter* chooses to call himself *podestà*. In the widest sphere of war strategy, Hitler had nothing to say. He called for more arms so that the German Army could maintain its lead, and the German soldier be better equipped “this year and next year.” He made no promise of immediate victory, no promise of annihilation for Britain. On the contrary, his references to the further phases of the war were definitely defensive. The Democracies cannot starve or crush Germany into submission. “The German people will never again experience a year like 1918. Force of arms will never make us yield, let alone break us.” The tone, surely, is peculiar. To the outside world the problem is still not of Germany being broken, but of Germany breaking Britain. Is it that, with the definite turn of American opinion, Hitler has abandoned all hope of total victory and is working for a stalemate? That he has always envisaged such an outcome is obvious from the consistency with which he has put forward compromise peace terms. Alternatively, it should be remembered, that never was there more talk of a long war and of *Sitzkrieg* than in the weeks before Norway. Hitler's silence may be a preface not to a western stalemate, but to the new offensive.

* * *

Business as Usual

The interviews of the 800,000 or so women born in 1919 and 1920, who have registered for war work, began this week. Actually, though nothing final can be said until some estimate can be made of the numbers actually called up, it appears that only a small fraction will be interviewed; first, those who are unemployed or unoccupied, which includes women doing only household duties (but not domestic servants), and those doing unpaid or part-time work; and, secondly, the women who “when registering, stated that they were available for transfer to war work and volunteered for such work.” The great majority, it is said, that is, all those who are officially described as being engaged in the “normal” industrial or commercial work of the country, will not be called upon; they are all doing “useful” work, it seems. This is not industrial mobilisation. “Ossification” would be a better word, for the general belief that everyone who works in wartime is doing war work is going to be deliberately confirmed. The parade of a national registration was hardly needed simply to rope in the unemployed. Women can now stay quite happily, with official approval, in work which

provides no contribution to the war effort at all; they are seemingly not even to be labelled as “available,” or told to expect a summons when the number of vacancies grows. This astonishing situation will also be true of the men over military age who have registered, for they, apparently, are to be interviewed on the same principle—that of “do not disturb.” The fact is that the National Work Register seems likely to be a historic sham—even though the biggest bottleneck in the war economy, by contrast to the enemy, is labour. It is true that the limitation of supplies and the concentration of industry will increasingly displace workers. But there is no guarantee under the present arrangements that many of these will not drift into non-essential work and stay there; and, in any case, if the war is not to be lost, the need for fresh war workers in the coming months and years has no limit. The vast pool of non-essential labour in distribution, domestic service and office work is apparently to be left stagnant, and, blessed with the Government's diploma of “usefulness,” the millions who are contributing nothing to the war effort can go on losing the war with a clear conscience.

* * *

Cautious Progress

It has now been announced, after widespread public pressure, that petrol allowances will be cut in June. The authorities are still unwilling to lay down the harsh principle that no petrol should be used for pleasure, and the cut is to be made in the supplementary allowances given for business purposes. It is, of course, true that there has been notorious waste and diversion of the extra petrol allowed in bulk to contractors and other business undertakings. It is well known that far too many supplementary allowances are granted to individuals. Saving could be effected by pruning these allowances, and the chief sources of supply for the “black markets” could thereby be closed. The danger of any flat-rate reduction would be that many men and firms who at present genuinely need every drop of their allowances for business purposes would be penalised together with the leeches. The basic ration for all car users is, apparently, to remain. Some waste of resources, even in total war, may admittedly be permissible for the sake of what is loosely called “morale”—which in the long years of this war may be of decisive importance. But there are two provisos: the military effort, which includes the shipping position, must not be weakened; and no chance to shorten the war must be missed by the over-tolerance for civilian conveniences. It may be the Government's view that every owner of a licensed car is entitled to the limited use of his car afforded by the basic ration; or, perhaps, that most car-owners could claim a small number of more or less essential uses for their cars which the ration will normally cover. But it is remarkable that the only cuts contemplated are in the allotments which are ostensibly granted after a careful scrutiny of essential needs.

*

Decisions on petrol rationing rest, of course, with the Government; administration of the scheme and—presumably—responsibility for advising the Government remain with the Petroleum Board, a body which represents only the oil companies. The Petroleum Board is an example of the obnoxious practice that has been all but universally followed in this war of appointing Controllers from the trades they control. Indeed, it may be considered the extreme example since, though it has public functions, it is self-appointed. Readers of *The Economist* are familiar with the very grave objections to this system of organisation; with the very best will in the world it necessarily increases the difficulties of distinguishing between private and public, peacetime and wartime, interests. But (since misunderstanding appears to have been aroused by a reference last week) it is perhaps necessary to state explicitly that the objections do not rest on any suspicion of lack of patriotism or public spirit in the members of the Petroleum Board or any other controlling body.

* * *

The Western Desert

The German advance still halts at Sollum, and during the past week the initiative has to a great extent

passed to the British forces. A heavy German-Italian attack on Tobruk, launched on April 30th, was brought to a standstill after piercing the outer defences. Thereafter the British garrison counter-attacked, and after a fierce fight, during which the enemy lost at least eleven tanks, the besiegers were driven off, the gap closed, and the defences restored. On the night of May 3-4 the British continued their offensive action and broke up the preparations which the enemy was making for a renewal of the attack. It is probable that the presence of this unreduced fortress on the flank of the German advance is still having an inhibiting effect on the Axis troops. By sorties and counter-attacks, the British garrison has already made 3,000 prisoners, and the threat offered by their activities is exactly the kind which the Germans with their long lines of communication can least afford. Round Sollum, the front is obviously in a state of flux, and it has been possible for British mechanized columns on at least one occasion temporarily to cut the Bardia-Tobruk road. And all the time the RAF is complementing these harrying tactics by sustained attacks on airfields, ports, columns and ammunition are being moved up, and the attack when it comes will make furious and unexpected use of all the resources at the disposal of the Axis in Africa. It is by no means certain that the attack will be confined—as it has been hitherto—to the coastal plain. The five oases of the Western Desert—Siwa, Baharia, Farafra, Kharga, and Dakhla—are potential stepping stones from the Libyan frontier to the Nile Valley. Siwa is only 75 miles from the Libyan post of Jarabub, and is linked by motor road with Mersa Matruh. Good desert tracks run between Siwa and the four oases farther south, and of these Kharga is connected by rail with the main Cairo-Khartoum line. Hitler has shown a preference for unorthodox routes which expose unprotected flanks and leave the main armies intact but surrounded. A drive to the Nile above Cairo would cut land communication with Abyssinia at a time when the northward movement of men should

THE NEW YORK TRUST COMPANY

Capital Funds . . \$37,500,000



BANKING
AND
FIDUCIARY
SERVICES

100 BROADWAY

CABLE ADDRESS
NYTRUSTCO

MEMBER OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

become accelerated and would place a strain on the Sudanese forces which they may well be unprepared to take. These possibilities are, of course, familiar in Cairo, and General Wavell can be relied upon to have made appropriate preparations.

* * *

The Food Question

Last week's food debate in the House of Commons deserves more attention than it has yet received. A good deal of publicity has been given to certain rackets which were "revealed"; but despite a general preference among the speakers for avoiding the major issues and pursuing minor anomalies at length, the occasion once more drew attention to the one outstanding weakness of existing food policy. The trouble is that the essential problem, the increasingly feverish scramble for unrationed foodstuffs, has not been tackled at the root. So long as the problem is approached by a combination of partial price control and the timid extension of rationing, competition for those commodities whose sale is unrestricted must grow; and the solution is a drastic extension of group rationing or the imposition of an upper limit to personal food expenditure. As many speakers pointed out, and as Major Lloyd George recognised, the fish situation cries to heaven and is a grave reproach to the Ministry. The position with regard to canned fruit and vegetables is far from satisfactory; consumption is unnecessarily high and prices are rising. On the question of the provision of extra rations for men and women on heavy work, there appears to be a good case for following the precedent created by the provision of extra cheese for agricultural workers and miners. But it is perhaps not generally realised that the unwillingness of the Ministry to extend this principle is due to the knowledge that it would involve definite cuts in the rations of the ordinary citizen.

* * *

Defence of the Union

It is still the case of the Opposition in South Africa that this is "England's war"; and, as South African troops fight farther and farther from the Union's frontiers, protests grow. When the war started, it was understood that the troops recruited would serve in the defence of South Africa—somewhere south of the Zambesi. It was later argued, very reasonably, that the defence outposts of the Union in the struggle against Italy and Germany might be north of the Equator. South African soldiers and airmen moved to Nairobi and beyond. They took a notable part in the destruction of Italy's East African Empire, and now they are to move to North Africa, to the Mediterranean itself. This is common sense. The defence of the British Commonwealth and Empire, of the whole and of the separate parts, is indivisible. Anzacs defend Australia and New Zealand in the Near East. Indians defend India in Irak. Canadians defend North America in Britain and over Germany. The South African forces themselves have no complaint; but the Opposition grumbles. They ask whether it is the intention that the Union should become a Colonial Empire; they ask what South Africa owes to Abyssinia; they ask whether Haile Selassie will refund to the Union the expenses of the Abyssinian campaign. But, except in the failure to see that the African campaigns, however distant, are in South Africa's defence, they are not consistent: some protest at fighting for British interests and British "imperialism"; Dr. Malan, on the other hand, speaking for South African racialism, and referring to "the policy of extending South Africa's frontiers up to who knows where," asks, "Are we going to make a white man's country of South Africa and keep it so, or are we going to make a colossal native compound with a white patch at one end of it?" The war and recruitment continue. While the Opposition is mostly convinced that "the war has already been lost"—which is the real basis of their attitude—the great bulk of the South African people take pride in the achievements of their troops; and wherever they fight in Africa, or even in Asia (for which, if it became necessary, he would seek authority from Parliament), General Smuts will have general backing.

The War of Nerves

From Paris to Dakar there are the stir and uneasiness which usually precede some major political crisis. There are renewed rumours of German reinforcements to the already large German Armistice Commission in Morocco. General Weygand is said to have protested in vain against the flood of visas granted to German agents by Vichy, and many observers find it ominous that the *Jean Bart* is believed to be lying in Casablanca with a full war complement of men and armaments. Further north, there are persistent rumours of Spanish reinforcements in Tangier and Spanish Morocco. In Spain, Independence Day brought truculent warnings to the "pluto-democracies" that Spain "is master of her own destiny," which reads strangely beside circumstantial reports of the extent to which Biscaya and Galicia have passed under German control. Finally, in France, Admiral Darlan's negotiations with Paris have borne fruit in the shape of an agreement with Germany. According to its main provisions, the Nazis are to permit the transport of foodstuffs, coal, iron and other goods across the frontier between Occupied and Unoccupied France, and to reduce the cost of occupation by one quarter (from 400 million to 300 million francs daily). The French *quid pro quo* is given no publicity, and although there is a new under-current of hints that Vichy-France should take vigorous action to restore the Free French Colonies to their "allegiance," it is unlikely that the Germans are yet in a position to exact political or military concessions without risking a break with Vichy. Marshal Pétain's prestige and the twilight status of "neutral" France are far too valuable for the Nazis to risk such a breach. The Germans know that both Marshal Pétain and the Caudillo would oppose any definite scheme of military co-operation, but their countries are being submitted to the full blast of a war of nerves at high pressure in the hopes that, with a sweep of victories from the Eastern Mediterranean, they may be stamped by their more impressionable Ministers—a Suñer or a Darlan—into action which their better judgment rejects.

* * *

Iraq's Oil

The importance of Iraq's oil lies more in Hitler's desire to have access to it than in any indispensability to the Allied cause. From Hitler's point of view, the Iraqi production—normally about 4 million tons of crude a year—is the most accessible large field after Roumania. The Caucasian field is perhaps geographically more accessible, but he may judge the political and military obstacles to be too severe. If Hitler can hold Iraq and the Eastern Mediterranean, and if he can either capture the double pipe-line (to Haifa in Palestine and to Tripoli in Syria) intact or repair it, he will be well on the way to a considerable increase in his petroleum supplies. These are, of course, large ifs, and there would also be the problem of transporting the oil—refined from Haifa, where there is a large refinery, crude from Tripoli—to Germany. All in all, there is little prospect of any Iraqi oil for Germany in 1941, even if everything goes like clockwork in the Middle East. But that is undoubtedly Hitler's game. From the British point of view, the Iraqi oil is no more than a convenient supplement to other supplies. In 1938, less than 5 per cent of the petroleum supplies of the United Kingdom came from Iraq. It may be that in wartime the Mediterranean Fleet is making more use of the supplies conveniently to hand at Haifa. But there are other supplies not far away. The Persian Gulf fields—Iran, Bahrein, and Saudi Arabia—produce and refine nearly 12 million tons a year, and Egypt's oil production is rapidly approaching the million ton mark. If Hitler has Alexandrine ambitions he may dream of occupying these oil fields too. But even he can hardly dream of having such naval control of the Persian Gulf, the Indian Ocean, the Red Sea, the Suez Canal, and the Mediterranean, and enough tankers in those waters to be able to use a drop of the oil they produce. On a relative calculation, therefore, the enormous balance of advantage in the oil politics of the Middle East lies with sea power. The important thing to do in the immediate future is to prevent Hitler from getting the Iraqi oil, even if that involves denying it to ourselves. The main British supply is, in any case, at the other end of the world. In 1938, 48.3 per cent of

the United Kingdom's oil came from the Caribbean and South America and a further 18 per cent. from the United States, and it is safe to assume that the proportion taken from the west rather than the east has risen since the war began.

* * *

By Any Other Name

"Co-prosperity" hath a wondrous fair sound. As a description of the material bliss due to be introduced into eastern Asia by the signature of two economic agreements between Japan and Indo-China, it may prove overrated, at least as far as the latter State is concerned. The purpose of the two agreements is to provide for the economic domination of Indo-China and its exploitation by Japan. The model that Germany has given to the world, as the fruit of Dr Funk's experimentation in the Balkans, is more or less closely followed. Thus, French Indo-China is to admit Japanese capital for the development of agriculture, and mining and hydraulic concessions. Increase in mutual trade is to provide a market for rice, maize, coal, and minerals from Indo-China in Japan, in return for which Japan will despatch textiles and manufactured goods. The crux of the matter, the rate of exchange at which these goods will pass, is not yet apparent. It is to be suspected that the rate of exchange between the agricultural products of Indo-China and the finished goods from Japan will be strongly in favour of the new masters of eastern Asia. So far as the treaties are concerned, it appears that customs barriers in Indo-China are to be scaled down more substantially than those in Japan, but it would be rash to conclude from this that the terms of trade are to be in favour of Indo-China. The solution is probably to be found in the provision in the second of the two treaties, which admits Japanese commercial firms to Indo-China. Any apparent concession to the inhabitants of Indo-China will no doubt be appropriated by Japanese-controlled enterprise. It will be interesting to see what manufactured articles the Japanese will, in fact, export. What is the Far Eastern equivalent of aspirin?

* * *

Debating Public Schools

It was perhaps inevitable that the second reading debate on the Public and Other Schools (War Conditions) Bill should produce the usual attacks on the public schools, in spite of Mr Ramsbotham's valiant attempt to parry them by emphasising in his opening speech that the Bill had nothing to do with the "public school problem." One or two members got round this by asserting that, if the House did not pass the Bill, the public schools would have to close down—which would help the war effort. Others were more sensibly concerned lest the power to alienate endowment funds would mean that scholarships for poor boys would be reduced in order to maintain masters' salaries. Actually, the Bill itself is a perfectly innocuous measure. It does not ask for a penny of public funds to be voted, and the Board of Education and the Lord President of the Council can refuse to permit an alienation of funds which would prejudice the interests of the beneficiaries of the endowment. But the bad temper and testiness produced by such an unimportant measure show once again what an impossible position has been caused by the peculiar benefits which a public school education confers. How very real these benefits have become in this century is illustrated by the undignified attempts of schools outside the pale to get themselves admitted. The Public Schools Acts of 1868 and 1873 only allow the distinction to seven schools, which with the 24 or so administered by bodies incorporated by Royal Charter will have to make their applications to alienate funds to the Lord President of the Council. But Paton's List of Schools includes 183 so-called public schools, and it may well be that in the course of time the description will apply to every grammar school and other secondary school in the country. Not that this will redress the balance against secondary schoolboys unless they can at the same time acquire the public school manner and accent. Not very long ago, however, the headmaster of a Lincolnshire grammar school actually announced that he was going to teach his pupils the "southern accent," in order to help them to get jobs. It is this state of

affairs which "is perpetuating snobbery"—the words of one of the Labour speakers in last week's debate—not the Bill which was then under discussion.

* * *

Family Allowances

It is to be hoped that little time will be lost in debating the motion proposing the introduction of a State-paid scheme of allowances for dependent children which has been tabled by Wing-Commander Wright, Miss Eleanor Rathbone and Dr. Edith Summerskill. This motion is now supported by some 120 members of all parties; and, in these days, there is little need to argue the case for the provision of family allowances through all its stages. It is sufficient to point out that allowances are, in fact, enjoyed by all citizens with families who are subject to income tax, and also by unemployed persons in receipt of insurance or transitional benefit. With the recent extension of income tax to cover the aristocracy of labour, the only section of the community which is virtually without any State provision for its children is the mass of working class families. The provision of family allowances for this section of the population would remove an anomaly rather than introduce an innovation. The social benefit would be out of all proportion to its scope, for it is precisely among the lower working class incomes that the rearing of a family presses most injuriously on the standard of living. The fear of trade unionists that the "wage level" would be depressed by the provision of allowances is no more justified than the assumption that the wage level—in the abstract—will adequately support an average family capable of maintaining the population. It would be an advantage if the sponsors of the motion would extend its scope to include the provision of certain allowances in kind. The National Milk Scheme is already a form of family allowance, and the principle could be extended indefinitely.

* * *

Concentration in Whitehall

Now that the common-sense step of merging Transport and Shipping in a single Ministry has been taken, it is tempting—simply as a somewhat speculative exercise in political theory and with no very serious intent—to scan the Departments for other places where "telescoping" might be possible. The amalgamation of Food and Agriculture in a single Ministry of Food Supply would be a useful step towards the making of a single and consistent food policy; and it has always seemed logical, in theory, though not probably, a really practical proposition, that the Ministry of Supply should cover, not only industrial capacity and materials, but labour as well, with three departments, Munitions, Materials and Manpower. With these three Ministries—Wartime Communications, Food Supply and War Supplies, each with its component but co-ordinated departments—the framework of war economy might be much more evident and apt than it is at present; there would, of course, be the Treasury; and a Ministry (or Board) of Trade, with departments of external and internal commerce, while more miscellaneous than its colleagues, would round off a very formidable economic quintet. The picture may be fanciful, but it is attractive.

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

OVER 500 BRANCHES IN
THE UNION OF SOUTH AFRICA
KENYA - TANGANYIKA - UGANDA - NYASALAND
NORTHERN & SOUTHERN RHODESIA - EGYPT
SUDAN - PALESTINE - PORTUGUESE EAST AFRICA
SOUTH-WEST AFRICA - BRITISH WEST AFRICA
BRITISH WEST INDIES - BRITISH GUIANA
GIBRALTAR - MALTA - CYPRUS - MAURITIUS
LONDON - LIVERPOOL - MANCHESTER
AGENCY: NEW YORK

HEAD OFFICE:
54 LOMBARD ST., LONDON, E.C.3

BARCLAYS BANK (CANADA)
MONTREAL & TORONTO

THE WORLD OVERSEAS

South America's Airways

(By a Correspondent)

May 1st

FOR the maintenance of close and friendly relations with the South American republics there is to-day hardly any need more urgent than that of air communications. The lines under German or Italian control comprise more than 20,000 miles of scheduled routes. In South America, Pan-American Airways fly over 15,000 miles; their affiliated companies include another 11,000; and their Caribbean services must give them some 40,000 miles of flying lines in Latin America. Certain other small independent companies maintain local services, and in Central America, the Taca, owned by a British subject, covers the area with a close network of freight and passenger services. The Dutch K.L.M. service, connecting Surinam with Curaçao and the coasts of Venezuela and Colombia, has been suspended by the Germans, and Air-France, which provided a transatlantic service via Dakar, collapsed with the fall of France. These facts, therefore, have to be faced: the predominance among European lines of Axis interests, the great trunk services of Pan-American Airways, and the absence of British enterprise on any substantial scale. Indeed, the successful British company in Central America owes its results not to the support of interests in England, but to the initiative of its owner and manager.

The subject has two distinct aspects, transatlantic services and internal development. An airmail letter from London to Buenos Aires usually goes first to Lisbon, thence in the Pan-American clipper to New York, and thence down the coast. Theoretically, this should only take a little over a week. But the pressure on the mail space, difficulties of exact connections and, sometimes, bad weather usually mean that two to three weeks elapse before arrival—without allowing for censorship. During the past winter, surface mail from Buenos Aires has even reached this country before the corresponding airmail. When Air-France was running, it was possible to get a letter to Buenos Aires in under a week.

The Axis powers are not thus embarrassed. In December, 1939, the Linee Aeree Transcontinentali Italiane (Lati), a heavily subsidised offshoot of the Ala Littoria company, inaugurated the Rome-Rio service. The principal ornament of Lati is its managing director, Bruno Mussolini. As Lufthansa's transatlantic services were suspended at the outbreak of war, Lati alone now flies the South Atlantic. The service is maintained by trimotored Savoia Marchetti S 83 T convertible bombers. The Rio-Rome route takes three days and goes via the Cape Verde Islands, Rio de Oro and Seville. These planes are of inestimable value for propaganda material, and, it is safe to assume, a good deal else besides.

German Penetration

Internal air communications present an equally disquieting picture. Of the German lines the Condor syndicate is the most aggressive. It flies the Brazilian flag but is controlled by the Deutsche Lufthansa, and that it is the spearhead of German aerial penetration in South America can hardly be doubted. It maintains its own aero-photo-grammetric section. Its passenger fares are well below those of Pan-American Airways, and revenue is not its primary consideration; some of its lines into the Brazilian interior are definitely uneconomic but provide useful transport for government officials. "Test flights" have recently carried Condor planes so far out to sea that the Argentine Government showed concern. No non-scheduled flight beyond the range of vision from an Argentine airport can now be made without an army observer on board.

Lufthansa's operations are closely connected with Condor's. The Rio-Natal service, an essential transatlantic link, was opened in 1930; the Graf Zeppelin made its first landing at Rio in that year; and in 1934 the Lufthansa-Condor combination established a weekly airmail link between Europe and South America, which operated up to the war. Since then Lufthansa's internal services have been mostly taken over by Condor, and the transatlantic service has been left to Lati.

There are other German companies in South America, but they are all connected in devious ways with the Lufthansa-Condor combine. Such activity has not passed unnoticed. Lufthansa in Peru had its licence cancelled early this year; Sedta, a small company in Ecuador, is under close surveillance. Scadta, in Colombia, is different. It was founded in 1919-20, and in 1931 Pan-American Airways acquired control. But the personnel remained largely German, and, finally, after various adjustments, the company became merged with Avianca, a Colombian concern. In 1940, the German technical staff and most of the executives were discharged.

The Pan-American Airways service is sufficiently well known; the Lisbon-New York flight is a vital line for Anglo-American communications. In Latin America there are extensive routes in the Caribbean, and two main trunk lines down the east and west coasts. Buenos Aires is now within four days of New York, and directly linked with Santiago and La Paz. The service is regular and efficient, but expensive. Pan-American Airways have unquestionably made a real contribution to inter-American relations, and the mere mechanical business of organising inter-American conferences is now much facilitated.

A Remarkable Enterprise

Taca (Transportes Aereos Centro-Americanos) operates in the five little republics of Central America and in Western Panama. It is owned and managed by Lowell Yerex, a New Zealander, and, in spite of limited coverage, is the most remarkable adventure in aviation in Latin America. Yerex turned up in Central America in 1931, the pilot of a single aircraft, without any influential backing and without any company behind him. Last year, Taca carried 11,000 tons of freight, 3½ million pounds of mail, 65,000 passengers, and large quantities of baggage. One-hundred-and-fifteen airports belong to the company.

Taca has conclusively demonstrated three important factors for the future of aviation in Latin America. First, the aeroplane is a freight carrier; until recently the whole chicle trade of Guatemala was carried by Taca, and the gold mines of Nicaragua import their machinery and export their gold by the same means. Secondly, by careful planning it is possible to bring air travel within popular reach; most of Taca's passengers are farmers. Thirdly, aerial communications do not mean trunk lines only. Whole regions can be intensively developed by air, especially when land routes are difficult, and not only does the region itself benefit, but the trunk lines find much-needed feeders.

It is lamentable that such experiments—there are one or two other small British ventures—have been so few. Latin America, although clearly offering vast opportunities, has failed to strike the British imagination, and the initiative has gone to competitors. An exploratory commission from London visited Buenos Aires a few years ago, but the war has prevented action. We are thus almost entirely dependent upon Pan-American Airways, first, for the transatlantic service, and, secondly, for continental air transport. That "Pan-Am." have this service so well organised is all to their

credit, but the experience, for example, of Taca, shows that there is an encouraging future for British enterprise; if Britain herself finds her hands tied, it may be hoped that Canada, which is rapidly forging new commercial links with Latin America, will seize the opportunities.

Improvement in Eire's Supplies

[FROM OUR DUBLIN CORRESPONDENT]

April 29th

THE position with regard to supplies has improved. The petrol ration has been increased and private motorists will be able to take to the road again. The existing stocks of flour will enable the country to tide over the harvest, after which the mixture of other cereals with wheat may be necessary. Efforts are being made to import wheat, but the difficulties are great, and there is the special danger of cargoes being sunk. No reliance, therefore, can be placed on imports, and the food programme is based on the need for Eire to be completely self-supporting—which is luckily possible. The Minister for Supplies, in announcing the improvement in the situation, expressly disclaimed the allegation that the shortage of supplies was the result of any external pressure. "The difficulties," he stated, "are an inevitable outcome of the war and will end only when the war ends." The Minister also stated that "it is a dangerous fallacy that all the country's present difficulties could be avoided by some manipulation of the currency or by some wider utilisation of bank credits," and proceeded to point out that "the false idea that financial difficulties are impeding effective action might not merely cause mischief, but would, if it persisted, prevent the concentration of effort on the realities of the situation."

The Engineers' Association has published two very valuable reports dealing, respectively, with the present fuel situation and with the fuels and materials available for emergency transport. In the former report, it is stated that the normal annual fuel consumption in Eire consists of 2,500,000 tons of coal, 3,500,000 tons of turf, 40,000,000 gallons of petrol, 10,000,000 gallons of gas and oil fuels, 4,500,000 gallons of crude petroleum and 18,000,000 gallons of paraffin oil. Of the coal, 60 per cent is used for domestic and 40 per cent for industrial purposes. In order to maintain industries and rail transport, at least 500,000 tons of coal must be imported. The substitution of home produced fuel for coal would involve the solution of four problems: first, the winning of 3,000,000 additional tons of turf; secondly, its transport; thirdly, the conversion of industrial furnaces for native fuels, and, finally, the conversion of domestic stoves and ranges. The winning of the additional turf would employ 300,000 men for a hundred days a year. The transport of the turf would necessitate the control of the railways and canals on an emergency basis.

The report on emergency transport states that the number of mechanically propelled road vehicles is as follows: private 50,000, goods 10,000, public passenger 5,000, steam 100, electric battery 70, motor cycles 3,000, miscellaneous, including agricultural tractors, 2,000. Upwards of 90 per cent of these vehicles depend upon petrol or oil. The problem of substituting alternative power is a threefold one, of material, of equipment and of fuels. Considerable difficulties exist under each of these heads. From the point of view of materials, the most hopeful possibility is the conversion for use of town gas, but the supply of this gas depends upon the continued import of coal, which is by no means certain. The conclusion is reached that only one-tenth of the private and commercial vehicles in the country could be commissioned to use substitute fuels on the basis of available resources.

Higher Cost of Living

The announcement by the British Chancellor of the Exchequer of his intention to prevent the cost of living from rising more than 25 to 30 per cent above pre-war level is of interest to people in Eire owing to the close connection between the currencies of the two countries. In the Report of the Banking Commission attention was

drawn to the necessity of keeping up the internal value of the Irish pound if the parity with sterling was to be maintained. The following figures, which are taken from the *Irish Trade Journal*, show that, in spite of considerable differences in the increases in the various groups composing the index, the cost of living index numbers have increased by practically the same amount since the beginning of the war.

PERCENTAGE INCREASES.

	United Kingdom 1st Sept., 1939, to 1st Feb., 1941	Ireland mid-Aug., 1939, to mid-Feb., 1941
Food.....	24	24
Clothing	65	36
Fuel and light.....	24	46
Total (including rent and sundries)	27	26

In view of the large sums which the British Government proposes to devote to the subsidising of essential commodities and of the difficulties of the supply situation in Eire, there is a possibility that the cost of living in Eire will rise more than in Great Britain. Such a divergence between the index numbers would point to the overvaluation of the Irish currency.

Arbitration in Australian Labour Disputes

[FROM OUR SYDNEY CORRESPONDENT]

March 31st

THE rapid expansion of industrial production since the outbreak of war has caused serious maladjustments in Australia's labour conditions. The shortage of skilled workmen inevitably brought pressure to bear on the existing skilled labour force, with the result that there was a great deal of overtime worked. Plans for training additional skilled workers have been put into effect, but they have not yet restored equilibrium and long hours of overtime continue in munition industries. In this atmosphere of strain it was only to be expected that labour disturbances would occur.

The Commonwealth arbitration system of wage fixation had certain weaknesses, the most outstanding being that Court procedure was cumbersome and the hearings of applications for wage adjustments were frequently long delayed. This weakness, sufficiently annoying at any time, was intolerable under the rapidly changing conditions of war. One of the first actions of the Advisory War Council, on its establishment towards the end of last year, was to survey the arbitration system and recommend ways by which it could be improved. Regulations were issued, based on the Council's recommendations, which amounted to a complete overhaul of the then existing machinery with the object of fitting it to consider and settle grievances promptly whether these were local or Commonwealth-wide in their application.

The most important alterations may be briefly summarised thus:—

Three more Conciliation Commissioners have been appointed, making four in all. These Commissioners are closely linked to the Arbitration Court and are under the jurisdiction of the Court's judges. Their duty is to investigate any disputes immediately and on the spot, forming their own committees of employers and employees and working in close contact with trade union officials. In matters of local import, the judge may empower the Commissioner to arbitrate without referring the matter to Court.

SETTLE ALL QUESTIONS as to
PROTECTION FOR YOUR FAMILY,
PROVISION FOR YOUR OWN FUTURE, AND
SAVING FOR THE COUNTRY

by means of a policy with

NATIONAL PROVIDENT INSTITUTION
FOR MUTUAL LIFE ASSURANCE

— FOUNDED 1835 —

48 GRACECHURCH STREET, LONDON, E.C.3.

Important reforms of Court procedure have been agreed upon to speed up the machinery. The limits imposed upon the Court, restricting its authority in those disputes which concerned only one individual State, have been removed for the duration of the war.

Further important powers have been added by giving the Court authority to act on its own initiative, and authorising the Minister for Labour and National Service to direct the Court to carry out an investigation into any matter which has either led to, or in his opinion is likely to lead to, a strike or stoppage.

Special emphasis has been placed on the necessity for the Court to make the maximum use of employers' and employees' authorised representatives in order to cut down formal evidence and so expedite decisions.

The Court is now empowered to make a flexible common rule for an industry, or part of an industry, or a group of industries, according to its own discretion. If, however, there is a likelihood of the Commonwealth ruling impinging on the findings of a State Tribunal, the two authorities are to adjust the matter between themselves.

Finally, it is now provided that any organisation or employer, knowing of any matter which may lead to a cessation of work, is expected to inform the necessary authority so that the Court can take action.

The decline in industrial disputes during the past weeks may, it is true, be partly attributable to increasing war tension and to the active participation of Australian troops; nevertheless, the improved arbitration system has undoubtedly played an important part.

An interesting public announcement was recently made by one of the Commonwealth Arbitration Court judges which stresses the importance of conciliation by the Court. Of eleven important cases for the renewal of awards settled through him since the outbreak of war, four were settled by agreement; three substantially by agreement; one partly by agreement; and only in three cases was no agreement reached without Court action.

The Distribution of American Trade

[FROM OUR NEW YORK CORRESPONDENT]

March 22nd.

THE foreign trade of the United States in 1940 showed a large increase over that of recent years.

MERCHANDISE TRADE (\$000,000)

	Exports (incl. Re-exports)	Imports for Consumption	Export Surplus
1937	3,349	3,010	265
1938	3,094	1,950	1,134
1939	3,177	2,276	859
1940	4,021	2,540	1,396

In the table, the balance is the excess of general exports over general imports, not the "imports for consumption (retained imports)."

EXPORTS BY GRAND DIVISIONS (\$000,000) (including re-exports)

	1937	1938	1939	1940
Africa	152	118	115	161
Asia and Oceania	679	610	640	715
Europe	1,360	1,326	1,284	1,645
North America	840	740	806	1,070
South America	318	300	360	435

GENERAL IMPORTS BY GRAND DIVISIONS (\$000,000)

	1937	1938	1939	1940
Africa	92	55	77	131
Asia and Oceania	1,036	586	723	985
Europe	843	567	620	390
North America	690	490	581	694
South America	422	263	318	395

These figures show an excess of exports to each of the "grand divisions" in 1940, except Asia and Oceania. In each of the past four years, the trade has shown an excess of exports to Africa, Europe and North America. The trade with Asia and Oceania showed an excess of imports in 1937, 1939 and 1940—only the recession year

of 1938 reversed this balance. The trade with South America showed an excess of imports in 1937 and a rather small excess of exports in the three subsequent years.

Since June, so far as our trade is concerned, for Europe, read the United Kingdom. In the last half of 1940, monthly exports to the United Kingdom ran about double the average of the first half. For the imports, the average held roughly through the year (about \$13 millions a month); slightly above 1939, well above 1938, but below 1937. For the year the total imports from the United Kingdom were \$155 millions, or under half of the total imports from Europe, hence the figures for the year 1940 are far from representative of the current movement.

Comparing 1940 with 1915, our exports averaged rather higher—\$335 millions a month, against \$296 millions; but our imports are much higher, averaging \$219 millions, against \$148 millions. However, our exports to Europe in 1940 averaged \$137 millions, compared with \$214 millions in 1915; and our imports from Europe \$32 millions, compared with \$45 millions in 1915. Not all of this shift is attributable to war influences. A generation ago, foreign trade meant, to the U.S.A., trade with Europe; now it is much more generally distributed. While it is obvious that the present distributions are dominated by the war, one would certainly hesitate to suppose that either present or previous distributions would hold in the future.

The Tempo of Defence

The increase in expenditure for national defence, noticeable from the beginning of the current fiscal year, has accelerated rapidly since the end of the calendar year 1940.

The following table shows the movement:

EXPENDITURES ON NATIONAL DEFENCE (\$000,000)

	For Month	Accumulated		For Month	Accumulated
July, 1939	109	109	July, 1940	177	177
Aug.	114	223	Aug.	199	376
Sept.	108	331	Sept.	219	595
Oct.	115	446	Oct.	284	879
Nov.	118	564	Nov.	365	1,244
Dec.	125	689	Dec.	460	1,704
Jan., 1940	132	821	Jan., 1941	561	2,265
Feb.	129	950	Feb.	576	2,841

Shorter Notice

"The Ukraine." A History. By W. E. D. Allen. (London) Cambridge University Press. 404 pages. 21s.

This history of the Ukrainian people, which is as much a history of Russia and Poland, is a timely addition to the history of Eastern Europe. A postscript, entitled "Ukraine and Europe, 1939-40," deals with the partition of Poland between Germany and Russia and the occupation of Western Ukraine by Soviet Russia. This was a severe blow to the Ukrainian nationalist movement, which itself appeared as a result of the general nationalist developments in Europe during the 19th century. Before 1914-18, the Ukrainian nationalist movement was largely dependent on German and Austrian assistance; and the mass of the Ukrainian people, peasants and industrial workers, showed little interest in national independence. In 1918, Germany failed to create an independent state, and the Soviet Ukraine became part of the Union of Soviet Republics. In 1938, Soviet Ukraine produced 55 per cent of the total Russian output of pig iron; but Ukrainian industry is not an independent whole. The Soviet Government systematically binds southern industry to other parts of the Soviet Union; and a similar policy is pursued in agriculture. To-day Soviet Ukraine is not the granary of Russia. It is the most important part of Russia's industry, and is rapidly developing into the most highly industrialised part of the Union. But it still remains for many the enticing transit country from Central Europe to Asia.

German Europe

Oil.—The Germans have taken a big step in the direction of a European war economy by founding a Continental Oil Holding Company, the *Kontinentale Oil AG*, Berlin. The company is a joint undertaking of eight large German combines, including the leading oil companies, the *Deutsche Erdoel AG*, the *I.G. Farben*, *Wintershall AG* (potash and oil), the *Reichswerke H. Goering*, and the leading producers of synthetic oil. More than half of the aggregate capital of the founders is State owned, and all the companies are large integrated combines manufacturing oil, coal, potash, metals, iron and steel, and chemicals. The company will start with a capital of Rm. 80 millions; Rm. 50 millions will be provided by the founding companies, and Rm. 30 millions will be offered to the public by four of the Big Five banks, led by the *Deutsche Bank*. The purchase of foreign oil interests on a large scale is to be expected.

The importance the Germans attach to this new company may be seen by the fact that the Minister for Economic Affairs, Dr. Funk, is the director; and the head of the "Wehrwirtschaft and Armament Department" of the High Command of the Fighting Forces, General Thomas, is a member of the board of directors.

At the end of April, hardly four weeks after the company was founded, the first results were reported from Roumania. The new company undertook the supply of drilling and other material to the Roumanian oil industry. The Roumanian oil companies are to be nationalised and all the foreign-owned companies are to be acquired by the Roumanian State. In 1941, 165 wells are to be drilled, as well as 50 test wells; and it is hoped to achieve an increase in output of 300,000 tons. A short time ago one of the founder companies, the *Wintershall AG*, acquired a controlling interest in the Hungarian oil industry with an annual output of some 300,000 tons.

The supply of oil for military as well as industrial activities is one of the most important problems in Germany. So far, the high estimates of an annual wartime consumption of 20 million tons have been very sharply disproved. But it is a fact that the total consumption of oil on the Continent in 1938 was estimated at between 24 and 27 million tons, the higher figure including storage for military purposes. In 1940, the total output of natural and synthetic oil on the Continent may perhaps have reached half the lower figure, that is, 12 million tons.

The largest single source is the Roumanian oil industry. Its output, according to the *Petroleum Press Service*, fell from 8,704,000 tons in 1936 to 5,815,000 in 1940. In 1939, and particularly in 1940, drilling fell off rapidly. In January and February, 1941, the daily output was still very low; and, without a substantial increase, total output in 1941 will not exceed 5 million tons. One of the main purposes of the activities of the *Kontinentale Oil* in Roumania is the centralisation of the different operating companies and the supply of drilling and operating material formerly imported from the United States. Special efforts will be needed for the manufacture of drilling material, because German companies were already employed to full capacity. The recent course of Roumania's oil exports has been as follows, in 1,000 tons (according to *Petroleum Press*).

	1939	1940	Jan.-June, 1940	July-Aug., 1940
Total exports	4,178	3,493	1,797	1,696
United Kingdom	629	488	481	7
Germany*	1,285	1,430	375	1,555
Italy†	634	343	156	187
France	238	87	87	0
Switzerland	114	92	21	71
Hungary	165	35	31	4
Jugoslavia	150	174	79	95
Bulgaria	94	95	45	50
Turkey	30	148	99	49
Greece	75	187	74	113

* Czechoslovakia included. † Albania included.

In 1940 exports to Germany increased 11.2 per cent to 41 per cent of the total exports. The changes are easily explained by the German occupation of the Balkans, which began last autumn. Shipments through the most important Balkan ports and loading places developed as follows:—

	1938	1939	1940	Jan.-June, 1940	July-Aug., 1940
Constantza....	3,349	2,738	1,433	1,240	193
Giurgiu	936	1,204	1,246	320	926
Ploesti	175	180	606	190	416
Orsova	0	0.4	142	18	124

The Black Sea port of Constantza, handling in normal years two-thirds of total oil exports, was thus reduced to third place in the second half of 1940. Giurgiu and Orsova, the Danube ports, and Ploesti, the production centre where shipment by rail starts, increased their shipments correspondingly. The figures reveal the German effort to reorganise transport by rail and by river. At present, two new pipe lines from Ploesti to Giurgiu and to a place near Orsova, as well as new tank cars, are under construction. It can hardly be doubted that the Germans will be able to ship a great part of the oil output by rail and inland waterways to their consumption and refinery centres.

If the increase in the production of natural and synthetic oil in Germany proper is taken into account, and the small production of annexed Poland and Alsace is added, Germany should be able to increase total oil output in Europe, including Albania and Italy, to well above 12 million tons. But Germany will only be able to supply industries in occupied countries, if those industries are to be used for Germany's war industry, by cutting down civilian consumption to the barest minimum. Unless there is land fighting on the scale of 1940, acute shortage in Central Europe is hardly likely. Certain lubricants and other specific oil products which are not produced on the Continent can be supplied by Soviet Russia.

Outside Germany, the occupied countries are frantically trying to find some source of oil. There are reports of oil prospecting in France. Sweden is developing a shale oil industry similar to those in the former Baltic States. Hungary was able to increase its home output to the point of self-sufficiency, and at the same time all these countries are changing cars over to wood gas generators and the use of liquified gas.

★

Industry in the South-East.—Roumania's industry has been chosen for direct co-operation. Even before the activities of *Kontinentale Oil* began, a characteristic move by the *Reichswerke H. Goering* secured what was called "a co-operation agreement" with the *Malaxa* combine, which controls the leading Roumanian iron and steel plants. The combine includes a modern rolling mill and will probably work for German orders; and raw materials will be supplied by Germany. The Germans claim that the South-Eastern countries developed heavy industries for strategic reasons without any proper raw material bases and without sufficient markets. A "rationalised" South-Eastern Europe under Germany's direction would develop mainly industries subsidiary to agriculture, together with the intensified production of high quality foodstuffs, such as dairy produce, meat, vegetables and fruit. Natural resources like bauxite and non-ferrous metals, however, would be developed on the spot, and there might be possibilities for developing textile industries based on artificial fibres. Heavy industries vital for war industry will "co-operate" with German combines; and this "co-operation" will be effected by purchase, by cartels or by inclusion in a German concern. Industries subsidiary to agriculture, such as meat and fruit packing, machine industries and other civilian industries will be developed "normally" and as far as possible with home supplied raw materials; but specialised industrial products will be monopolised by Germany.

FAMOUS SINCE 1795

OTARD'S

COGNAC BRANDY

THE BUSINESS WORLD

Investment and the Lyttelton Plan

UNDOUBTEDLY, the Stock Exchange was over-complacent at the outset about the probable effect on its own wares of the Lyttelton scheme for wartime concentration of reduced output in the consumption trades. It was assumed, almost as a matter of course, that the larger companies had little to fear—and perhaps something to gain—from closer organisation whose avowed objective was to limit weak production and weak selling. Only fish of a certain size normally find their way to the Stock Exchange pool, and the market, for reasons partly economic and partly historical, has a relatively smaller stake in the total capital of the consumption trades, with a few exceptions, than in the big staple "heavy" industries, which have for decades been seeking the investor's capital.

Closer consideration of the problem, however, has sensibly modified first impressions. The consumption trades, as a whole, made great headway in this country during the 1920's and 1930's, and the Stock Exchange played quite an important part in supplying the new capital they required. The "shilling" deferred share, whose vogue in new company promotions in the last twenty years has been viewed with such mixed feelings, was a device mainly suited to the flotation of smaller concerns subject to the speculative risks of trades catering for the tastes of a somewhat fickle clientele. In some "Lytteltoned" industries, like cotton and wool textiles, the Stock Exchange has always had a considerable interest. But even the most superficial comparison of a present-day Official List with that of, say, December 31, 1918, will show that the investor's stake has increased considerably, in the meantime, in trades like musical instruments, rayon, hosiery, bricks, household requisites, carpets, sanitary ware.

Further experience gained from preliminary discussions among traders, and from inquiries at the Board of Trade, has suggested that the benefits of "concentration," even to the larger units, will be less automatic than had been at first assumed. It is clear that the authorities, though their primary aim is to release men, factories, and sites for the war effort, conceive themselves, so far as conditions allow, as guardians of the small man's interest. This may have an important bearing on the way concentration is likely to work out in practice. There is only one recognised qualification for a "nucleus" firm—that its works shall be running full time. This condition may be satisfied, broadly, in one of three ways. First, a concern may have reached capacity on a combination of home, export and Service orders. That may be the position with a few lucky small or medium-sized firms turning out more or less specialised products, whose entire plant may be needed to cope with a few good Service contracts. It is hardly likely, however, to be the condition in which the majority of the larger concerns find themselves. In their case, the gap left by severe limitation in the civilian home market, and reduced export trade, will need a great deal of filling. Secondly, a company may, by shutting down some of its factories or parts of factories, bring about full production in the others. This is likely to be the characteristic method adopted by the larger units, and it has already secured official recognition, e.g., in the case of Courtaulds. The third method involves co-operation between a number of separate firms, with a pooling of quotas, machinery or labour, or agreement by one unit (in this case a "nucleus" in the true sense) to turn out the quotas of the others at cost. This is the method the Board of Trade particularly favours, because it secures immediate concentration with the least possible extinction of goodwill, trade marks, and established connections, which may become national assets again after the war.

For the majority of firms, by number, the third method, or some variation of it, is likely to be the most widely adopted—particularly if, as seems not improbable, the bulk of actual "telescoping" is eventually done under the direct instructions of the authorities, in default of voluntary local agreement within the stringent time limits the Board of Trade has, rightly, laid down. If local preferences, however, still carry weight, geographical and labour factors being equal, it may be questioned whether the smaller firms will be particularly anxious to go under the wing of the big combines rather than join with firms of their own class; for they will naturally regard the former, in possession of their trade secrets and customers' lists, as the more formidable post-war competitors. Naturally, to the extent that the large concerns do in fact take over the production of the smaller on a "cost" basis, their own profits will be increased, since the considerable reduction in overheads under full-time running will be shared between their own output and that of the "taken over" firms. But if, in fact, the authorities favour arrangements among the smaller firms inter se, then the combines will have to rely for economies in expenditure on their own internal arrangements, and will actually be denied the opportunities, which might have come their way under a *laissez faire* régime, of absorbing distressed competitors on bargain—or at least favourable—terms at a later stage.

All this has obvious relevance for Stock Exchange investors, since most of the leading market issues, at least, in the trades affected, are those of the bigger units. Given the necessity for reduced production any-

Industry and company	Total issued Capital (including debentures, if any)	Latest figures			Current price of ord.	Yield %
		Date	Earnings for ord. %	Paid on ord. %		
Textiles:						
Ashton Bros. £1.....	432,000	Dec. 28, '40	12.0	10.0	14/-	4.8
Fine Cotton Spinners £1.....	11,100,000	Mar. 31, '40	NII	NII	27½	NII
Lancashire Cotton £1.....	4,542,894	Oct. 31, '40	28.6	7.5	16½	9.5
Tecol, Broadhurst £1.....	1,278,203	June 30, '40	10.8	12.5	36½	NII
Illingworth, Morris & Co. £1.....	1,338,017	Sept. 30, '40	13.9	NII	19	NII
Patons & Baldwins £1.....	3,778,500	Apr. 30, '40	2.6	8.5	48½	8.6
Salts (Saltaire) 1/-.....	2,030,421	Mar. 31, '40	70.0	25.0	210½	8.7
Woolcombers £1.....	610,000	Dec. 31, '40	32.8	21.25	118½	3.6
Bleachers £1.....	8,556,237	Mar. 31, '40	NII	NII	2/8	NII
Calico Printers £1.....	8,226,840	June 30, '40	8.7	NII	2/10½	NII
Courtaulds £1.....	32,000,000	Dec. 31, '40	9.4	8.0	31½	5.3
British Celanese 10/-.....	11,755,855	June 30, '40	1.0	NII	8.6	NII
Hosiery:						
I. & R. Morley (d).....	1,800,000	Dec. 31, '40	12.3	5.0	19½	6.1
Wolsey £1.....	1,354,890	Dec. 31, '40	8.16	4.56	7½	12.0
Linen:						
Barry & Staines £1.....	2,100,000	Jan. 31, '40	13.3	12.5	26 10/16	9.8
Michael Nairn & Co. £1.....	2,198,291	Dec. 31, '40	13.9	14.0	52½	5.3
Fire, etc., Clays:						
Leeds Fireclay (e).....	817,100	June 30, '40	NII	NII	(e)	(e)
Glass:						
Utd. Glass Bottle £1.....	2,735,066	Dec. 31, '40	21.8	12.0	52½	4.6
Office Equipment:						
D. Gestetner 5/-.....	665,918	Aug. 31, '40	25.2	25.0	21/8	5.0
Photo Goods:						
Riford £1.....	1,264,200	Oct. 31, '40	8.0	8.0	25 7/8	6.8
Toys, etc.:						
Long Bros. 5/-.....	617,900	June 30, '40	43.2	30.0	18½	8.0
Musical Instruments:						
Elce. & Musical I. 10/-.....	3,382,875	Sept. 30, '40	1.3	NII	7/8	NII
Decca Record 1/-.....	368,049	Mar. 31, '40	119.7	25.0	1/8	16.7
Herrburger, Brooks 15/-.....	208,125	June 30, '40	5.0	3.0	5/-	9.0
Plastics:						
British Xylonite (d).....	700,000	Dec. 31, '40	12.5	10.0	(d)	(d)
Gold and Silver Ware:						
Mappin & Webb 10/-.....	1,070,000	Dec. 31, '40	10.1	8.0	5/-	16.0
Tobacco etc.:						
Boots Pure Drug 5/-.....	3,000,000	Mar. 31, '40	54.0	30.9	36/8	4.8

† Free of tax. (a) Apart from preference arrears. (b) On "A" shares. (c) Subject to EPT. (d) 5 per cent. cum prof. £1. (e) No quotation.

how, under Limitation of Supplies or Raw Materials Control Orders, the Lyttelton plan is a bull rather than a bear point for investors, so far as it goes. For one thing, it will prevent the "queering" of the trade by the existence of numerous weak concerns struggling to keep in being, at the margin, on a woefully inadequate level of permissible output. And it will enable the bigger concerns themselves to make more drastic cost-saving adjustments than would probably have been effected in equal time, if the customary barriers to the shutting down of entire factories and the turning adrift of their labour force had been present. But the economies thus achieved are highly unlikely to compensate, in terms of profit-earning power, for the severe cuts in total production which the national interest dictates, unless the large concerns do succeed in bringing the smaller firms right into their factories on a wider scale than, for reasons already suggested, seems likely.

All British companies, under EPT, have a fixed ceiling but no firm floor for wartime dividends. It must be concluded, on the whole, that the effect of the Lyttelton plan will be to raise the "floor" slightly above the reduced level which official raw material and sales restrictions would have established in any event—but not much more.

It is fortunate, therefore, for investors that the "Lyttelton" trades (with some melancholy exceptions) usually enjoyed a satisfactory degree of prosperity before the war. Their leading concerns, consequently (again with some exceptions), are still in good financial

trim, and can hope to survive a lean period by reducing or passing dividends if necessary, but without catastrophic deterioration of their financial structure. The table on page 624, which gives a brief selection of companies—usually of the larger type—from industries which would appear to be affected by the Lyttelton plan, shows clearly that the earnings position was, in most cases, still eminently satisfactory in the earlier war months. The figures also suggest where some of the "exceptions" are likely to be found—notably in the textile trades.

Many of the figures, admittedly, relate to financial periods which closed some months back, when official restrictions on output and sales were much less clear than now. It would be surprising if future reports made as good a showing. But no sane investor would dream of buying the shares of companies in predominantly civilian industries, during wartime, on their immediate prospects. The Lyttelton scheme, in itself, may tend to enhance the present status of the debenture and preference securities of low-gear and conservatively financed companies in these industries, which may fare better under the scheme than if events had been left to take their course. But the equity stocks of those companies must be classed, in the technical phrase, as a "lock-up" for eventual post-war recovery. In that sense, a selective buying policy might have something to commend it, if share prices were to fall disproportionately on the future publication of reports showing a decline in profits.

Non-Ferrous Metals in War

THE last war was a turning point in the history of non-ferrous metals. It marked the beginning of an era of rapid expansion in production and consumption, the one being facilitated by progress in mining technique and by the opening up of new deposits, and the other by the growth of industry and the downward trend in prices, especially in the past decade. These tendencies are reflected in the following table, which shows the growth of world production and the course of prices for the five leading non-ferrous metals:

World Production (1909-13=100)					
	Aluminium	Copper	Lead	Spelter	Tin
1914-18	195	136	102	101	106
1919-23	229	97	83	77	99
1929	569	201	151	163	162
1937	989	240	146	183	170

Prices in London (1909-13=100)					
	(a)	(b)	(c)	(d)	(e)
1914-18	180	157	170	214	117
1919-23	116	123	156	126	103
1929	109	120	153	104	114
1937	91	87	153	94	136

(a) New York.

In an attempt to assess the supply position during this war and the effect of the conflict on post-war developments it may be useful to distinguish three groups of producers and consumers: Nazi-dominated Europe; Russia and Japan; and Great Britain and the United States. The search for synthetic products which has revolutionised the position of other commodities has not been of much influence on metals. There are no synthetic metals, and the extent of the substitution of plastics for metals has been very small. The three groups of countries are therefore thrown back upon their own resources for the duration of the war.

With the exception of aluminium and, to a lesser extent, spelter, Nazi Europe is deficient in non-ferrous metals. Under the lead of Germany, Europe's output of aluminium rose from an average of 25,000 metric tons in 1909-13 to 240,300 tons in 1937, when it was responsible for 49 per cent of world production. But Europe's mine production of copper only rose from 103,000 metric tons to 149,600 tons, while its proportion of world production fell from 10 per cent to 6 per cent. Europe's mine production of spelter increased from 488,000 metric tons to 445,200, but, as in the case of copper, its share of world output fell from 41 per cent to just under 25 per cent. Its output of lead showed an absolute decline during this

period, from 332,000 tons to 248,600 tons, while its proportion of world output fell from 28 per cent to 15 per cent. So far as tin is concerned, Continental Europe was and remains entirely dependent on other continents for supplies.

Russia, on the other hand, has large deposits of all base metals, but hitherto her resources have been exploited at a very slow pace. The speed of exploitation may be increased with the help of German technical assistance. But metal industries cannot be expanded at short notice, while Russia is not likely to favour the installation of German technicians in key positions. On a long-term view, Russia's non-ferrous metal industries have enormous possibilities; but in the near future the rate of growth may be expected to remain slow. Japan is deficient in metals, and while China has substantial resources, years would be needed by Japan to make herself independent of other sources of supply.

Since, with the exception of aluminium, the greater part of the expansion in production since the last war has taken place in countries outside the influence of Germany, Russia and Japan, the position of Great Britain and the United States is considerably stronger than twenty-five years ago. The world's annual capacity to produce copper has increased from 1,000,000 metric tons to over 2,500,000 tons, that of zinc from 1,000,000 tons to 1,750,000 tons, that of lead from 1,250,000 tons to 1,800,000 tons, and that of tin from 150,000 tons to about 250,000 tons. The world's aluminium producing capacity has risen from about 70,000 tons to 700,000 tons, and although hitherto the expansion has been most marked in Germany, the United States and, to a lesser extent, Canada, are now expanding their plant at a rapid rate to meet the growing needs of the aircraft industry.

The British Empire's copper production has been increased enormously by the development of the Northern Rhodesian and Canadian deposits. Similarly, the Canadian, Australian, Newfoundland and Burmese lead and zinc industries and the Malayan and Nigerian tin mines have been appreciably enlarged since 1914. Among other countries, Chile and the Belgian Congo have developed their copper deposits, Mexico its lead and spelter mines and the Dutch East Indies and Siam their tin resources. Indeed, the growth of productive capacity has been such that prices have fallen and production has had to be regulated to prevent the flooding of the markets. And since 520,000 metric tons of copper, 390,000 tons of lead, 175,000 tons of zinc and 58,000 tons of tin were imported by the continent of Europe in the twelve months preceding the war, the quantities now available to Great Britain and the United States are sufficient to prevent them suffering from any shortage of non-ferrous ores.

In the circumstances, it has not been surprising that hitherto the war has not touched off a boom in non-ferrous metals on the world market. The present prices of copper, tin, lead and aluminium in the United States are actually slightly below the average for the year 1937, only zinc has risen, by 0.75 cents to 7.25 cents per lb. In the United Kingdom the official maximum quotations for copper, lead, spelter and aluminium, as well as the market price for tin, are slightly higher than the average of 1937, but the differences are largely counterbalanced by the fact that the delivery basis has been changed from ex warehouse to free consumers' premises.

The British Government has, in the main, confined its metal purchases to the Empire in order to economise foreign exchange. The contracts placed with Empire producers are based on pre-war prices, subject to adjustment for rises in production costs caused by the war. While these agreements allowed the British overseas production to be raised to its potential maximum, they tended to depress production elsewhere, as the United Kingdom had regularly imported large quantities of non-Empire metals before the war.

More recently, however, a major change in the international metal position has taken place. Great Britain has agreed to buy the whole copper surplus of the Belgian Congo, while the United States has so far contracted for about one-half of Chile's normal copper production, and is about to place further orders, which will cover additional quantities of Chilean copper and the great bulk of the lead and zinc surplus of Latin America, including Mexico. In addition, the United States Government has placed a contract for the accumulation of a large strategical tin reserve of 75,000 long tons—the figure will probably be further raised by a new agreement next summer. Like Great Britain, the United States is paying approximately pre-war prices for the metals bought abroad, so that a metal boom on 1918 lines may be avoided. As United States war production comes into full swing, that country, together with Great Britain, may eventually absorb the great bulk of the extra-European metal-producing capacity. But, except in the case of aluminium, further expansions in the capacity to produce the leading non-ferrous metals in the countries accessible to Great Britain and the United States seem unnecessary.

The position is somewhat different as regards metal refining and the production of aluminium. In metal refining the extra-European position has been greatly affected by the blockade of the Continent, which has cut off many overseas producers of base metals from their normal refining bases in Belgium, Germany, Holland and Norway. Before this war, the tonnage of base metals refined on the mainland of Europe was about 40 per cent larger than the tonnage mined in

Europe, and in lead and zinc, in particular, Belgium played an important role as a refiner of American, Asiatic and even Australian ore. As a result, additional refining facilities are required outside Europe. The United States has refining capacity more than large enough to handle its domestic ores, but a number of new copper, lead and zinc smelters and one tin refinery are being built to deal with imported ores. There was a similar development in the last war, but the business was lost to America after the war owing to the lower European costs of refining and the presence in Europe of a market for metal refined from imported ore. A similar development may be expected after this war. The position would be different if new refineries were erected in the mining territories, but so far, at least, hardly any development in this direction has taken place, nor are there signs that they will take place in the near future.

In the case of aluminium the production facilities now being added in Europe, the United States, Canada and even Australia will prove of greater importance from the long term point of view, and it appears certain that the aluminium industry will be the only one of the major metal industries whose basic position will be fundamentally altered by this war. Before this war ends, international aluminium output may have passed the limit of 1,000,000 metric tons a year, which compares with 490,600 tons in 1937 and 282,100 tons in 1929, themselves the two outstanding boom years between the two wars. Whether this enormous tonnage can be absorbed without difficulty in peace conditions remains to be seen, but the far-sighted scientific research into civilian uses of aluminium, which has been continued everywhere despite the war, and the reasonable price policy pursued by the leading aluminium producers since the outbreak of the war (in the United States the Aluminum Company reduced its price from 20 cents to 19 cents per lb. last year in spite of the pressure of demand) at least indicate that the industry is aware of its problems.

Since the expansion in the production of base metals in the past two decades has been concentrated on the countries accessible to the English-speaking nations, their supply position is considerably stronger than during the last war, though their capacity to produce aluminium—so important in the manufacture of aircraft—and to refine other metal ores may have to be expanded. Continental Europe's supplies, on the other hand, are not much bigger than twenty-five years ago, except in the case of aluminium, while Japan's resources are inadequate. The voracity of the war industries is likely to lead to a further increase in the world's productive capacity, but there is no reason why the increased supply should not be absorbed after the war, when one of the main objects must be the increase in the standard of living of the people.

Finance and Banking

Treasury Bill Allotments

Even allowing for the larger quota of Treasury Bills for which it now applies, the discount market on Friday of last week obtained its most disappointing allotment for three months past. The tender was the first one at which the normal currency of the bills on offer returned to 92 days. The market understandably endeavoured to lower the price of application to £99 14s. 10d., or 1d. lower than the price at which it had been tendering for the 91-day bills. To have kept the effective price at 11d. would have reduced the profit on turnover to a mere 5s. 7d. per cent. The total applications for bills were, however, exceptionally heavy, and as most of the outside applicants—both official and unofficial—appear to have put in their tenders at £99 14s. 11d., the syndicate had to be content with an allotment of 11 per cent only. This disappointment may, however, be the price which the market had to pay for establishing the rate at the slightly more attractive level. If, as is probable, the unofficial outsiders obtained more bills than they expected, the way should now be clear for the syndicate both to maintain its price of application at £99 14s. 10d. for the 92-day bill and to obtain more reasonable allotments. The short money position has been comfortable this week, and the market itself has found it difficult to satisfy the banks' appetite for bills. Outside sources have, however, proved good sellers. The Bank return covering the week to last Wednesday shows an excep-

tional variety of changes. The circulation, contrary to all seasonal trends, continues to increase, and at £625,972,000 is £2,623,000 up on the week creating a new high record. The facilities granted to the India Council in connection with the recent vesting order are being rapidly repaid and other securities fell by £13,553,000 over the week. With Government repayment of ways and means advances, Government securities are £6,830,000 down. Fortunately there was ample room for contraction in the credit basis from last week's inflated level of bank cash, though bankers' deposits at £113,556,000 are still at a fairly comfortable level.

Mexican Misgivings

Purchases by Mexico of British exports do not in normal times amount to a very large proportion of the total; but, owing to strategic barriers to some former markets and exchange shortages in others, exporters welcome gladly any expansion of demand through the remaining channels, and it has become obvious from the current spate of status inquiries on Mexican firms that commercial developments are to be expected. It is not wished to cast doubts on the desirability of trade expansion, but the matter may be considered from the angle of present needs. Exports to Mexico are paid for in "free sterling"; they are not subject to settlement

through registered or special account and thus escape the directive influences operated under Regulation 5B with other markets. The proceeds of exports to Mexico therefore represent funds with which the holder can play as he chooses; there is no need for them to be used in settlement for British imports from the same country. They can be offset against cheap Japanese textiles dumped in South Africa, or the importer can obtain access to the sterling by purchasing it either in the New York free market or in other places, such as certain Central American countries. In London banking circles, the numerous inquiries from Mexico are attributed to the possibilities associated with present methods of payment. The discount on free sterling is possibly not wide enough to provide the only reason, and it is suspected that if free balances were to be subjected to more rigorous inquiries than at present, their legitimacy might be disproved. It is contended that if a Special Account were set up promptly for the settlement of reciprocal indebtedness, it would serve to close a further gap in the country's economic defences. In the absence of the trade statistics formerly published, it is difficult to judge the extent of this free sterling loophole and the extent of Mexico's exports to the sterling area. But so long as British exports escape the net of exchange control, it is not certain that they contribute their maximum yield to the sterling area, and if recognition of the exchange position is tardy, there is also the risk that such recognition might be accomplished only by freezing an adverse transfer-hazard.

Hambros Bank

The report and accounts of Hambros Bank for the year to March 31st last epitomise the difficulties which the war has placed in the way of merchant banks and, in particular, of those which have endeavoured to cling to their traditional business of financing foreign trade. The set-back in this type of activity is reflected in the balance-sheet in a reduction of acceptances from £3,667,534 to £707,855. Its impact on the profit and loss account is equally marked, the net profit, after allowing for directors' remuneration, being down from £194,528 to £80,458. Mr. Olaf Hambro, in some notes on the report, which have been circulated in lieu of a chairman's speech, states that over 90 per cent of the bank's acceptances were international credits granted to customers in the Scandinavian countries against shipments of merchandise between them, the United Kingdom, and abroad. When the enemy occupied Denmark and Norway, Sweden and Finland were in effect cut off from trade with this country, and as a result practically all the acceptances outstanding on behalf of clients in those countries gradually ran off and were repaid. Some of the Norwegian and Danish commitments have been liquidated during the year, and as for the remainder, it should be noted that the deposits held with the bank on Danish and Norwegian account exceed in the aggregate the engagements of clients in those two countries. Wherever such assets and liabilities are in

the name of the same customer—and that holds true in many cases—the bank will ultimately be able to compensate the two. The experience of the war has, in the opinion of Mr. Hambro, demonstrated the soundness of the principles on which London acceptance credits have been based. Except in the case of German credits which, at the request of the Government, were made subject to the Standstill Agreement, the war has not prevented the bulk of the credits opened on European account from being repaid by the credit takers.

U.S. Balance of Payments

The official estimates of the United States' balance of payments for 1940 have been published. The data will be found in the following table, together with comparative figures for 1939:—

	In million \$.					
	1939			1940		
	Creds.	Debits	Net	Creds.	Debits	Net
<i>Trade and Service</i>						
Merchandise	3,177	2,318	+ 859	4,021	2,682	+ 1,339
Freight and Shipping	125	249	- 124	223	327	- 104
Travel Expenditure	170	460	- 290	81	223	- 142
Personal Remittances	45	144	- 99	30	120	- 90
Institutional Contributions	43	43	0	55	55	0
Interest and Dividends	331	211	+ 320	255	215	+ 310
Govt. Transactions	32	96	- 64	28	122	- 94
Miscellaneous Services, etc.	211	103	+ 108	161	66	+ 95
Total	4,291	3,633	+ 658	5,072	3,758	+ 1,319
<i>Bullion</i>						
Gold Exports and Imports	1	3,575	- 3,574	5	4,749	- 4,744
Gold Earmarking	14	85	- 71	4	50	- 46
Silver Exports and Imports	...	...	...	...	...	...
Total Bullion	...	...	- 3,111	...	...	- 4,154
<i>Capital Items</i>						
Long-term Capital Investments	...	...	+ 114	...	...	+ 53
Short-term Capital Investments	...	...	+ 1,116	...	...	+ 873
Advance Payments and Capital Assistance by British Govt.	...	...	+ 69	...	...	+ 720
<i>Miscellaneous</i>						
Paper Currency Movements	...	...	+ 117	...	...	+ 33
Total Capital Items	...	...	+ 1,416	...	...	+ 1,403
Other Transactions & Residual	...	...	+ 1,037	...	...	+ 1,432

Merchandise exports last year rose above \$4,000 millions for the first time since 1939, and the export surplus, at almost \$1,400 millions, was the largest since 1921. These figures are, however, dwarfed by the total of gold imports, which amounted to \$4,750 millions. Even allowing for the increase of \$645 millions in gold under earmark, the net gold inflow was larger than the gross merchandise exports. A feature of the estimates is the large "residual" item of \$1,432 millions in favour of the U.S.A. This is largely accounted for by capital inflow other than that shown specifically as such in the tabulation. Among possible examples of such unrecorded capital transactions the following may be mentioned: funds bought by foreigners but held in domestic names; funds previously held for foreign account withdrawn in the form of currency and thus not included in retransfers of such funds abroad; and refugee funds shifted from foreign to domestic addresses with the arrival of the owners in the United States.

INSURANCE NOTES

The quinquennial valuation was made on December 31st, 1940, the bases employed being the same as those used five years previously, with interest at 2½ per cent., both for life assurances and annuities. After devoting £324,858 to writing down Stock Exchange securities to market values, there is a disposable surplus of £748,352, but the directors have wisely decided to postpone any declaration of bonus; interim bonuses will continue to be paid, subject to review at the end of each year, at about one-half the pre-war scale.

Premiums and profits in the other departments are set out in the table below:—

	Premiums	Rise or Fall	Profits	Rise or Fall
Fire	£ 2,207,951	+ £ 6,765	£ 81,984	- £ 66,073
Accident	1,332,383	- 126,559	223,306	+ 63,428
Marine	1,259,066	+ 261,400	50,000	...
Capital Redemption	11,010	- 6,248	...	...
Total	4,810,410	+ 135,364	355,290	- 2,645

The London Assurance.—Shareholders of the London Assurance may well be content with the results of operations during the first full year of the war, for the report and accounts just published make pleasurable reading. The life department is the chief sufferer from war conditions, but even here the corporation has fared better than the general run of offices, as the following figures show:—

New business—net sums assured		Rise or Fall.	
Net premiums	£868,081	+ £665,377	(31.7%)
Net interest	£358,333	- £19,538	(5.5%)
Rate earned	£3/6/9%	- £/4/11%	
Claims by death	£291,738	- £524	
maturity	£245,043	- £174,190	
Surrenders	£79,199	- £11,143	
Commission & expenses	£115,338	- £5,594	
Commission & expenses ratio to prem.	13.3%	- 0.7%	

The reduction in death claims is especially remarkable, bearing in mind that the 1940 figures include £32,306 on account of war claims.

Considering the defection of business consequent upon cessation of operations in enemy and enemy-occupied territory, the maintenance of the fire premium income is highly satisfactory. Fire profits are lower, the chairman (Mr. R. Olaf Hambro) explaining that the experience at home has been the worst for many years; it is known also that the business has run less favourably in the United States. In the accident account (which does not include a United States portfolio) the twin features of lower premiums and higher profit doubtless alike spring from the common root of conditions in home motor insurance. The big jump in marine premiums is readily accounted for by increased hull values and cargo surcharges; the profit released of £50,000 is purely nominal, the fund remaining very strong at 126 per cent. of the premium income.

In the profit and loss account there are credit transfers, including net interest of £209,732, aggregating £587,641. Provision for taxation, expenses not otherwise

(Continued on page 628)

Investment

The Turning Tide

Although it would, perhaps, be optimistic to describe the news of the past week as good, it has been sufficiently favourable to allow the forces making for higher prices to make a visible impression. There has been some measure of recovery, tentative and sporadic. It is true, in the two sections which bore the brunt of last month's decline, the Funds and industrial equities. So far, this movement has not been accompanied by any appreciable revival in the volume of business from the very low levels to which the Greek reverse reduced turnover, which strongly suggests that, as yet, the public is taking little part. This is the usual sequence of events, and, if all goes well, the buying ought to spread, despite a tendency in some quarters to maintain existing standards out of capital. If this happens, the effect on a market, still short of stock in almost every section, is likely to be substantial. For the investor, the lesson of the Greek campaign is presumably that the end of the war, and the resumption of freer trading conditions, is rather further off than he may have hoped. There is, however, no evidence at the moment that this has affected his ideas as to what are desirable investments. In so far as equities are rising, the improvement is still rather in those which may be expected to do well out of post-war reconstruction, than in those which will maintain profits during the period of hostilities, but may suffer later. The preference is the more remarkable in that the latter give the relatively high yields, whose attraction in the fixed interest field is outweighing the disadvantage of possible loss of capital.

* * *

April Recession

The extreme paucity of business during the period of the Greek adventure made it more difficult than usual to keep track of its effects on prices, and it is still, perhaps, rather early to assess the effects of the April campaign on markets. The appearance of *The Actuaries' Investment Index* does, however, give an opportunity to put movements in perspective up to April 29. Despite the pressure of money, which everyone knew to be imminent, the

Funds lost their March rally, but were still above end-December levels, while in every other major section of fixed interest stocks not only did the closing of margins continue, but prices actually rose, with a consequent fall in yields. The only exception of note was a slight recession in miscellaneous industrial preferences. In industrial equities, there was also a tendency for the closing of yield margins to offset the effects of some reduction in distributions. The result was, that, while price indices fell back to below the November level in many cases, the yield indices were better than the December figure for all the main sections. The principal

ACTUARIES' INVESTMENT INDEX									
Group and Number of Securities	Price Indices (Dec. 31, 1929=100)				Yields per cent.				
	Apr. 30, 1940		Dec. 31, 1940		Apr. 29, 1941		Dec. 31, 1940		Apr. 29, 1941
	1940	1940	1941	1941	1940	1941	1940	1941	1941
Fixed Interest									
2½% Consols	132.2	136.9	138.2	137.1	3.20	3.23	3.23	3.25	
Home Corporations (4)	128.2	127.5	130.4	132.4	3.65	3.57	3.57	3.52	
Distributive Debentures (9)	105.0	101.7	104.3	105.5	4.27	4.16	4.16	4.11	
Total Ind. Debs. (43)	111.4	107.0	110.0	110.8	4.44	4.32	4.32	4.30	
Investment Trust Pref. (8)	112.6	106.5	110.1	112.0	4.82	4.66	4.66	4.58	
Distributive Pref. (22)	71.8	61.0	63.8	65.3	6.84	6.13	6.13	6.05	
Total Ind. Pref. (101)	97.1	83.8	91.0	91.4	6.08	4.98	4.98	4.96	
Ordinary Shares									
Electric L. & P. (16)	105.3	91.8	93.7	95.3	5.54	5.15	5.15	4.99	
Gas (8)	82.1	64.9	55.9	54.4	6.22	7.32	7.32	7.58	
Oil (4)	69.5	47.1	44.6	40.7	5.24	5.15	5.15	5.71	
Total Prod. (30)	62.0	53.1	52.1	51.7	6.62	6.54	6.54	6.59	
Home Bails (4)	56.0	33.6	33.2	31.0	9.00	8.95	8.95	9.54	
Total Miscellaneous (40)	64.4	57.3	56.4	55.0	6.44	6.32	6.32	6.40	
TOTAL INDUSTRIAL (159)	58.0	49.5	48.6	48.1	6.47	6.42	6.42	6.46	

exceptions were more severe reverses in coal, gas and oil shares, and improvements in investment trust, aircraft and electric light and power companies. The setback was very slight in insurance, electrical equipment and stores and catering. The best performance of any major group was that of the distributive industry, where, thanks largely to shipping, a fall in distributions was accompanied by virtual stability of prices.

INSURANCE NOTES—continued.

charged and pensions, etc., absorb £298,918 and £4,800 is taken for the capitalization of part of the profits of an associated company. Dividends cost £207,463, which is less than the interest earnings, and the balance carried forward is higher by £76,461 at £934,553. The balance sheet position is exceedingly strong. As already mentioned, Stock Exchange securities in the life fund have been written down to market values; in the general fund book values show a surplus over market values of £258,607. There is a general reserve of £3,000,000.

Co-operative Insurance Society, Ltd.—This important organisation, which is closely associated with the co-operative movement, transacts life assurance in three sections—ordinary, collective and industrial—extracts being exhibited in the accompanying table. The society has been handicapped during the past year by the same difficulties as have beset other insurance offices, the chairman (Mr. A. Judd) referring especially to the introduction of substitute labour unaccustomed to the intricacies of the business of insurance; the accounts, however, make a good showing. In the ordinary life section, the virtual closing of the house purchase scheme has been an important factor contributing to the reduced new business. Under present circumstances the society has decided to defer the annual valuations, but will continue to pay interim bonuses without alteration; in the collective section there is a surplus of £12,720 available

for distribution among those retail co-operative societies which contributed to this fund.

The premiums and profits in the non-life sections are set out below. Profits are the actual earnings, excluding interest, and do not correspond with the transfers to profit and loss account.

	Premiums	Rise or Fall	Profits	Rise or Fall
Fire	£421,075	+ 7,231	£92,814	+ 21,379
Accident	33,584	+ 39,133	8,478	+ 2,119
Employers' Liability	170,102	—	—	—
Motor	817,873	+ 400	15,698	+ 37,869
General	187,301	+ 223,657	147,252	+ 125,667
	1,579,915	+ 257,229	276,267	+ 77,533

CO-OPERATIVE INSURANCE SOCIETY LIMITED.						
	Ordinary Section	Rise or Fall	Collective Section	Rise or Fall	Industrial Section	Rise or Fall
New business—net sums assured	£1,569,848	+1,105,089	£1,571,348	+3,478,567	£15,719,348	+18,181,567
Income	£1,533,905	+ (41.3%)	£571,831	+ 9,847	£5,908,818	+ 426,895
Net premiums	1,533,905	(0.3%)	571,831	(1.8%)	5,908,818	(7.7%)
Net interest	371,212	+ 3,431	5,655	+ 232	867,621	+ 90,541
Claims by death	201,202	+ 36,092	541,975	+ 21,397	1,176,747	+ 232,784
Claims by maturity	713,490	+ 68,108	—	—	979,280	+ 123,006
Outgo	£95,922	+ 29,477	£8,691	+ 1,023	£238,875	+ 97,213
Surrenders, incl. sur.	158,853	+ 18,512	—	—	1,696,121	+ 71,254
Commission & expenses	10.2%	+ 1.1%	1.5%	+ 0.2%	31.6%	+ 1.2%

(Continued on page 629)

Demand for "Assented" Stock

The Consol market had acquired maturing corporation loans in advance of the announcement of the full terms, and, having accepted conversion in respect of their holdings, are now offering them at figures ranging from 3½ to 5 points above the price of issue, namely 99½. Since the loans have a minimum life of over fifteen years, the premium does not impair their trustee status, and the sharp rise in quotations shows that the particular combination of terms offered is exceptionally popular. As will be seen from the table below, the running yield on these 3½ per cent stocks is appreciably above that obtainable on 3 and 2½ per cent securities of equal standing, while the return to redemption, whether before or after deduction of tax, is considerably lower. This marks an intensification of a tendency which is by no means new. For months past, investors have been prepared to

"Assented" Stock	Interest 1/s/41	Offered Price	Flat Yield	Net Return to redemption
Brighton 6%	40s.	104	3.400	1.620
Essex 6%	20s.	103½	3.386	1.558
Hastings 4½%	30s.	103½	3.412	1.620
Corp. of London 4½%	30s.	104½	3.374	1.536
Plymouth 6%	40s.	103½	3.412	1.620
Stoke 5%	50s.†	104½	3.412	1.620

Existing Stock	Maturity Dates	Offered Price	Flat Yield	Net Return to redemption
Aberdeen 3%	1965-85	91	3.300	1.736
Bristol 3%	1958-63	94½xd	3.175	1.762
L.C.C. 3%	1956-61	97½xd	3.086	1.636
" 2½%	1960-70	90	3.086	1.800
Southampton 3%	1959-64	94½	3.186	1.958
Stockton 3%	1960	95	3.186	1.832

† September 1. There is a further 16s. 8d. on November 1. ‡ Less tax at 10s.

face an ultimate loss of capital to secure a higher current income, but this factor has been strengthened by the raising of income tax to 10s. in the pound. The widening of this margin suggests that those who do not need to live on capital would do well to avoid the purchase of redeemable stocks at a premium, and that the Treasury might well attract savings of some individuals more easily, and save the taxpayers' money in the long run, by offering a medium to long stock at a premium, with a suitable adjustment in the nominal interest rate. The minimum price for "assented" stocks has been fixed at 98, which seems even more out of touch with existing prices than are most of the other official minima.

INSURANCE NOTES—continued.

society increased during the year by nearly three millions and now stand at £5,092,000.

The **Sun Life Assurance Society**, notwithstanding the severe fall in new business, still remains one of the largest producers in the country; considering that the call to the services has taken nearly 40 per cent. of the male staff, the reduction is not so remarkable as might appear at first sight. Premium income is but little affected. The lower interest earnings on the Society's funds are partly due to an increase in holdings of Government securities of £1,828,000, from £11,609,000 to £13,437,000. The rise in claims by death is more than accounted for by war claims amounting to about £200,000. Commission and expenses are lower, but the reason lies in the reduced new business. The balance-sheet position is strong. The Chairman (Sir William Goschen, K.B.E.) stated at the meeting that the Society has made a careful examination of mortgages and loans and has valued Stock Exchange securities at market prices, the result indicating that the value of the assets in the aggregate exceeds that stated in the balance-sheet; the bulk of the mortgages, totalling £5,883,000, are on well-distributed residential property and for several years past no new investments by way of purchase of mortgage have been made in blocks of flats or large properties generally. During the year the life assurance fund increased by £1,701,000 to £43,290,000.

The accounts of the **Scottish Provident Institution** likewise show a sub-

Company Notes

Marks and Spencer Profits

Shareholders in Marks and Spencer are to be congratulated upon a further increase in profits, after interest and fees, for the year to March 31. The increase is modest, less than 1 per cent, to £2,881,925, of which taxation, including tax on dividends, absorbs some £1,815,000, so that, after a small reduction in depreciation, the ordinary dividend is down from 38.8 to 35 per cent, the earned percentage having fallen much more sharply. The 1939-40 dividend was to have been 42½, but was cut, to the figure given, in accordance with the dictates of the Dividend Limitation Bill. The table below gives profits and their allocation for the past three years:

	Years to March 31.		
	1939	1940	1941
	£	£	£
Profit†	2,213,003	2,860,157	2,881,925
Depreciation	431,046	481,203	456,574
Taxation	374,444	1,198,745	1,519,961
Staff Pensions	25,000	25,000	25,000
Deb. Redemption	12,495	13,230	13,965
Preference dividends	105,000	105,000	105,000
Ordinary and "A" ordinary shares:—			
Earned	1,265,018	1,036,979	761,425
Paid Gross	816,865	810,450	739,984
Earned %	74.7	55.5†	37.0
Paid %	42.5	38.3†	35.0

Reserves 435,225
Carry forward 98,569 325,089 346,530

† After interest and fees. ‡ On capital increased by 10% scrip bonus.

A considerable portion of the company's accounting year was covered by some limitation of supplies, and, at the outbreak of war, a considerable portion of the total turnover was in textiles, which have been most adversely affected in various ways. The management has, however, succeeded in adjusting the business to the changing needs of the public, and is understood to be doing a substantial business in foodstuffs, while the geographical spread prevents population movements from affecting profits greatly. These factors, coupled with the rise in prices which had until recently enabled retail trade to maintain its cash turnover, explain the figures, but it is doubtful whether even so successful a company as this can repeat the performance in the current period. The "A" ordinary shares of 5s., at 30s. 6d. ex dividend, give a return of some £5 14s. 9d. per cent.

stantial drop in new business; the Chairman (Mr. A. W. M. Beveridge) explained that this is due partly to withdrawal from the issue of temporary and other low-rated assurances and partly to a reduction in the number of inspectors. The net interest rate, although lower, is still well in excess of the valuation rate of £2 15s. per cent. Included in death claims is an amount of £82,667, representing claims resulting from enemy action. Of the total assets £8,300,000—approximately 32 per cent.—represents British Government securities. To meet depreciation in investments the investment reserve has been increased by £750,000 to £1,350,000 through a transfer

from the revenue account, thus enabling the directors to certify that, taking the investment reserve into account, the assets are fully of the value stated in the balance-sheet. At the last quinquennial investigation (December 31st, 1938) there were undistributed balances aggregating £478,000 and, with the addition of the surpluses earned during the past two years, it may be safely assumed that there is a margin in the assurance funds more than sufficient to provide the above transfer of £750,000. The directors have considered it prudent to suspend payment of intermediate bonuses after December 31st, 1940.

SUN LIFE, SCOTTISH PROVIDENT, LIFE ASSOCIATION OF SCOTLAND.						
	Sun Life	Rise or Fall	Scottish Provident	Rise or Fall	Life Association of Scotland	Rise or Fall
New business—net sums assured	£7,125,322	+7,530,867	£1,401,701	+921,097	£838,254	+473,065
Income	£5,203,050	+ (51.4%)	£1,239,460	+ (39.7%)	£699,313	+ (36.1%)
Net premiums	5,203,050	(0.1%)	1,239,460	(1.0%)	699,313	(1.6%)
Net interest	1,449,522	+ 12,849	803,250	+ 62,734	283,014	+ 9,289
do. rate earned	3/8 6/8	+ 0.3 6/8	3/4 9/8	+ 0.5 1/8	3 9 2/8	+ 0.2 6/8
Claims by death	1,519,701	+ 77,169	1,021,511	+ 22,737	290,440	+ 7,185
Claims by maturity	2,181,815	+ 170,945	532,855	+ 21,089	324,079	+ 81,824
Outgo	£497,089	+ 45,836	£148,713	+ 28,642	£88,440	+ 36,959
Surrenders, incl. sur.	638,295	+ 64,973	201,305	+ 17,110	101,978	+ 10,071
do. ratio to premiums	12.3%	+ 1.2%	16.2%	+ 1.3%	17.0%	+ 1.4%
Commission and expenses	14,014	+ 2,775	87,364	+ 22,293	87,173	+ 11,317
Consideration for annuities	88,740	+ 6,977	229,479	+ 9,714	42,892	+ 1,562
Annuities paid						

* In addition there was expenditure of £8,117 on air raid precautions.

Canadian Pacific Railway March, 1941, Earnings.—Gross earnings of Canadian Pacific Railway for March, 1941, were \$16,619,976 and expenses \$13,373,901. Not earnings were \$3,246,075, an increase of \$1,744,514 over March, 1940. Gross earnings increased by \$5,142,420.

Industry and Trade

Rubber Under Control

The London rubber market has temporarily lost most of the attributes which made it the world's centre for dealings in rubber. Owing to the war it had found it difficult to fulfil its former functions. The blockade of the Continent involved the loss of an important market; shipping difficulties impeded the free movement of rubber; heavy purchases by the American Government at virtually fixed prices tended to limit price movements. Now, the Battle of the Atlantic has forced the Government to take over the control of imports into Great Britain, to husband available supplies, and to distribute them in the national interest. And the control over imports and distribution will probably involve regulated prices, based on production costs, with allowances for transport and other charges. All this has been inevitable. But steps have been taken to prevent the complete disintegration of the market. The Government is prepared to make use of its organisation for the purchase of rubber and service to consumers, and the market will be able to continue its international business.

Rubber Supplies

So far as is known the appointment of a rubber controller to the Ministry of Supply does not immediately affect the International Rubber Regulation Committee's function of controlling exports from producing countries. It is now necessary not only to regulate total exports but also their destination, a task which is facilitated by the fact that the British and Free Dutch Governments, which are represented on the Committee, together control some 90 per cent of the world's rubber-producing capacity. (French Indo-China and Thailand are the only important other producing countries.) And if the Committee can fulfil these functions there is no reason why it should not continue to exist. In view of the importance of the United States as a consumer of rubber, close collaboration with that country is desirable, and, indeed, has already been established. So far as actual supplies are concerned, these are ample. The 250,000 to 300,000 tons formerly consumed each year by Continental Europe are now available to the democracies. Moreover, the export quotas of the producing countries adhering to the international agreement are now 100 per cent of the basic tonnages calculated by reference to productive capacity. The heavy supplies now forthcoming are diverted chiefly towards the United States, whose imports rose from 486,000 tons in 1939 to 811,000 tons in 1940, and showed a further increase during the first quarter of this year. As a result, the United States has been able to accumulate a substantial reserve against the contingency of a temporary interruption of trade with Far Eastern producing countries.

Retail Trade

In March, the average daily value of retail sales, as measured by the Bank of England on the basis of returns from a large number of shops, was 2.1 per cent smaller than in the corresponding month last year. As the following table shows, the extent of the fall was the same in foods as in other merchandise:—

	Percentage Changes from Preceding Year	
	Food and Perishables	Other Merchandise
1940 August	+ 5.4	+ 21.0
September	+ 11.5	+ 6.7
October	+ 5.2	+ 20.9
November	+ 0.3	+ 1.3
December	+ 0.8	+ 6.7
1941 January	+ 5.8	+ 8.8
February	+ 3.5	+ 1.8
March	+ 2.1	+ 2.1

An analysis of the geographical distribution of sales shows that, except in Central and Suburban London, they remained above the level of March, 1940. Sales in Central and West End London showed a fall of 17.9 per cent, and those in Suburban London one of 12.9 per cent. The value of stocks (at cost) at the end of March was 15.4 per cent higher than a year earlier in the case of food and perishable articles and 10.7 per cent higher in other merchandise. Total stocks in Central and West End London were only 0.9 per cent higher than a year earlier, but in other districts they were appreciably bigger, the increase ranging from 8.2 per cent in the Midlands and South Wales to 22.1 per cent in North-east England. But as the rise in retail prices during the past twelve months has exceeded the increase in the value of stocks, the quantity of the goods held by shops must now be appreciably smaller. It is understood that proposals for concentration in the retail trade are to be announced shortly. The need for adjusting the size of the trade to war conditions is unquestionable. But the task bristles with difficulties, not the least of them being the solution of the problem of the landlords of the shops that are to be closed.

Textiles of the Future

Few industries have had a more spectacular growth during this century than the rayon industry, which has created for itself an immense market quite apart from its encroachments upon the field of some of the older textile fibres. The shortage of natural textile fibres brought about by the war opens up further possibilities for rayon and for other synthetic textiles which have recently been introduced in the United States. Rayon itself has been so greatly improved that its fabrics are now able to compete with woollen and worsted fabrics, and it even appears to be developing a field for itself in the carpet and blanket industries. The United States army is experimenting with its use for service clothing, and it is said that the manufacture of rayon in that country is only limited by the available plant. Unfortunately, new plant construction is hampered by the fact that the cost is high, the plant has no alternative uses, and the rapid march of the industry renders it particularly liable to sudden and complete obsolescence. Side by side with this best-known synthetic textile are arising several others whose possibilities are as yet scarcely estimated. Nylon, whose ultimate raw materials are air, coal and water, is remarkable in particular for its elasticity; it is said to have a recovery of 100 per cent when released from a stretch of 4 per cent, compared with a recovery of 50 per cent for silk and acetate rayon, and 30 per cent for viscose rayon. It is stronger than silk when dry, less absorbent than wool, rayon and silk, is not easily burnt or mildewed and does not attract moths. Its principal future seems to lie in the stocking trade, but it is also believed to have merit as a parachute fabric and possibilities in some of the luxury fields now held by rayon and silk. Vinyon, produced from derivatives of coal or natural gas, salt, water and air, is water repellent and has a high resistance to acids and alkalis at ordinary temperatures. It makes an excellent electrical insulator. Fibreglas, made from fine-drawn molten glass, is resilient, flexible and has a very great tensile strength. Several other synthetic fibres, on which work has not yet proceeded so far, seem to hold out a promise of varied individual merits which should assure each of a considerable field of usefulness. It seems likely that the manufacture of many of them will be developed rapidly in the United States, where the increased demand for textiles arising from the defence programme has coincided with a greatly diminished supply of imported raw materials. Other countries, notably Japan, will probably develop their production of synthetic textiles with increasing rapidity, and something like a revolution in the textile industries may be found to have taken place by the time the post-war reconstruction problems present themselves for solution.

American Export Policy

The extent to which the flow of exports from the United States is now canalised by the Administration is not generally realised on this side of the Atlantic. Under the Export Licence Control Act the President has power to curtail or prohibit the exportation of any article in which a threatened shortage would be dangerous from the standpoint of national defence. The list of commodities thus controlled has lengthened considerably in recent months and the licensing system has, in fact, become a valuable instrument of Government policy. If the export of a particular commodity is not prohibited altogether but is made subject to licence, applications must pass through the State Department; and it is credibly reported that applications for shipment to some destinations are subject to almost interminable delay, whereas a licence for the dispatch of the same article to another country may be dealt with immediately. The petroleum trade offers an example of the way in which the provisions of the Act are being used to bring pressure to bear upon Japan. Last July, the export of aviation spirit, tetra-ethyl lead and certain associated products from the United States was prohibited except to countries of the western hemisphere. Japan surmounted the obstacle to some extent by purchasing petrol of a quality slightly below the specification laid down in the order. And because she was short of tankers and also of bulk storage accommodation she bought much of this petrol in steel drums, shipped it in cargo vessels and probably stored it in the original containers. Early this year, however, the President decided that the export of steel drums should in future be controlled by licence in order (so it was said) to conserve steel for national defence. On the other hand, the Administration may grant a general licence for the export of certain goods to a particular destination. Such general licences have been issued to the British Purchasing Commission and the British Iron and Steel Corporation for the supply of iron and steel to British possessions, while a similar order for the unlimited supply of various petroleum and other products to the United Kingdom was issued early in March. Thus the American Government is unobtrusively assisting Great Britain in her effort to withhold vital supplies from the Axis Powers.

Zinc

Zinc has become scarce in the United States, in spite of the large and growing domestic output. Between 1939 and 1940 production rose by 33 per cent to 674,100 short tons; of this total 588,600 tons were derived from domestic ore and 85,500 tons from imported ore. During the same period domestic consumption rose by 9 per cent to 662,900 tons. Simultaneously, exports of the metal, chiefly to the British Empire, rose from less than 5,000 tons to more than 80,000 tons. As imports of zinc in the last year were negligible, the deficiency in production had to be met by withdrawals from stocks. Between the end of 1939 and the end of 1940 producers' stocks fell from 66,000 tons to 12,900 tons, and consumers' stocks from about 110,000 tons to 78,000 tons. While production rose to an annual rate of 711,600 tons during the first quarter of the current year, this was inadequate to meet the growing demand. As domestic consumption has increased and is now at the annual rate of more than 750,000 tons, while exports to the British Empire have been at the rate of 50,000 tons per annum, producers' stocks at the end of March totalled only 7,000 tons and consumers' stocks some 60,000 tons. But as several new zinc smelters will come into operation within the next few weeks, the supply position should soon show a gradual improvement. Large quantities of zinc ore are now arriving from Mexico, Canada, Newfoundland, Australia and South America. If, pending the increase in domestic smelting capacity, the munition industries are given preferential allocation, there is no reason why the armaments programme should be held up by the temporary squeeze in zinc. Steps have already been taken by the Office of Production Management to assist munition manufacturers by the formation of a defence pool to which producers are required to contribute a proportion of their output. In April this contribution was 3,300 short tons; it was raised to 12,000 tons in May, while further increases are expected until the supply position becomes easier. Great Britain is adequately supplied with zinc, though part of the Empire's ore production has to be smelted in the United States. Among the Axis Powers, Germany appears to have no difficulties in meeting her requirements—

Belgium has the largest smelting capacity next to the United States—but Japan is apparently beginning to feel the effect of the export restrictions imposed by the United States.

Europe's Pre-war Trade

The absence of the necessary statistics for their Annual Review of World Trade has led the Economic Intelligence Service of the League of Nations to substitute this year a most interesting analysis of the trend of European trade before the war. At the beginning of the century Europe was transacting about two-thirds of the world's international trade. The last war accelerated a reduction which had already begun, and by 1925 Europe's share was reduced to half, a proportion which has not substantially changed since. In 1938 Europe was responsible for 56 per cent of the world's imports and 46 per cent of its exports. The distribution of European trade altered gradually during the thirties, mainly owing to political measures directed towards increasing self-sufficiency. One result of these measures was to increase the trade between European countries and their dependencies. In 1935, only 25 per cent of the imports of European countries were derived from areas outside her and outside Europe the territories connected with her by political ties, and only 17 per cent of its exports went to such regions. The trade of Europe as a whole with the British Dominions, India and European overseas territories was only slightly smaller than that with the rest of the world, and was still growing at the outbreak of war. More than half was conducted by the United Kingdom. The highly industrialised States of Europe were responsible for the bulk of Europe's external trade; in 1935, eighteen agricultural countries accounted for only 17 per cent of the aggregate imports and 19 per cent of the aggregate exports. They did not even provide a very large proportion—less than a quarter—of their industrial neighbours' net imports of foodstuffs and they were themselves net importers of raw materials. Far more trade was done between the industrialised States themselves: in 1935, industrial Europe derived 34 per cent of its imports from industrial Europe, 51 per cent from other continents and only 15 per cent from the rest of Europe. The United Kingdom, almost two-thirds of whose trade was conducted outside Europe, exerts such a marked influence on the figures that it is useful to consider some of them separately:—

	TRADE OF UNITED KINGDOM AND CONTINENTAL EUROPE in 1935	
	Net imports (—) or exports (+) in millions of dollars	U.K. and Continental Europe
Six important animal foodstuffs, including live cattle	— 580	+ 226
Twenty-two important vegetable foodstuffs	— 542	— 545
All other foodstuffs	— 276	— 3
Tobacco	— 81	— 47
Six oilseeds and oilseed cake and meal	— 73	— 274
The chief fertilisers	— 2	— 37
Six raw textiles	— 316	— 686
Rubber	— 35	— 56
Wood and wood-pulp	— 218	+ 58
Coal and coke (excluding bunkers)	+ 155	— 200
Crude petroleum, petrol, gas and fuel oils	— 130	— 183
Copper, lead, tin and zinc, unwrought	— 54	— 111
Iron, manganese and tin ore, and bauxite	— 52	— 46
All other raw materials and semi-manufactured goods	— 120	— 353
Total foodstuffs, raw materials and semi-manufactured goods	— 2,333	— 2,257

It will be seen that, whereas continental Europe is a net exporter of animal foodstuffs, British imports of these are more than twice as great as the continental exports. Britain imports, largely from other continents, practically as much of the important vegetable foodstuffs as the whole continent of Europe. Even though the inclusion of British figures gives an exaggerated impression of the proportion of Europe's trade with the rest of the world, it is none the less the fact that almost every country which possessed overseas territory was tending, in the years immediately before the war, to direct an increasing proportion of its trade to them.

COMPANY MEETINGS

THE MERCANTILE BANK OF INDIA, LIMITED

PROFITS WELL MAINTAINED

SIR CHARLES INNES'S STATEMENT

The annual general meeting of The Mercantile Bank of India, Limited, will be held on the 20th instant.

The following statement by the chairman, Sir Charles A. Innes, K.C.S.I., C.I.E., has been circulated with the report of directors and balance-sheet for the year ended December 31, 1940:—

Instead of making a speech at the annual meeting, I have decided this year to circulate the following statement with the bank accounts. In view of the difficulty of travelling, I believe that this course will be the most convenient one for shareholders.

THE LATE LORD ABERTAY

The bank suffered a severe loss when Lord Abertay died suddenly last December. As Sir Charles Barrie, he joined the board in 1930, and his wide knowledge of men and affairs was always of great service to the bank. In him we have lost not only a wise colleague but also a valued friend.

Lord Catto, too, has left us. When he was appointed financial adviser to H.M. Treasury, he found it necessary to give up—only temporarily, we hope—all his varied interests in the City. Our pleasure at his appointment to so high an office is inevitably tempered by regret that a man of such distinction and ability is no longer a member of the board.

To fill one of these vacancies we have been fortunate enough to secure the help of Sir John Hay. Sir John is the managing director of Guthrie and Co., Limited, a firm whose name is a household word in Malaya, and he is also a member of the International Rubber Regulation Committee. He adds greatly to the strength of the board, and I am sure that you will cordially approve our choice.

POSITION EXCEPTIONALLY LIQUID

I do not think that I need say much about the accounts. The balance-sheet is just what you would expect from an exchange bank at a time when international trade has been disorganised by war conditions. The chief point to notice is that our position is exceptionally liquid. We have deliberately maintained it so. It is an obvious precaution in times like the present, but naturally it affects the earning power of the bank. For the rest, deposits and investments are both larger, but advances have declined owing to poor trading conditions. Bills have increased, but the increase is due mainly to the fact that they are longer on the water. In spite of all difficulties, however, and among these difficulties I must include a sharp rise in taxation not only in this country, but also in most other countries where we do business, our profits have been well maintained. We have been able to pay our usual dividend and to make our usual allocations. These results, I think, are satisfactory, and we can again congratulate Mr. Crichton.

Questions of staff have been one of our chief preoccupations during the year. A large proportion—two-thirds, in fact—of the men in the London office have been called up, and are now serving with His Majesty's Forces. I am sure that you will approve of my sending them on your behalf a message of good wishes. Fortunately, casualties among them have so far been light, but there have been some, and our sympathies go out to the relatives. We have replaced the men who have been called up, mainly by women. They are doing very well, but the demand is beginning to exceed the supply. In India, Malaya and Ceylon the position is even more difficult. Many of our European staff have been called up either for continuous military service or for lengthy periods of training. It is now impossible to send out new recruits to fill vacancies, and a heavy burden of work and responsibility falls on the remaining officers, most of whom have to spend what little leisure is left to them in some form of military training. Still they carry on cheerfully and with unabated vigour. A special word of praise

is due to the London office staff. It is no easy matter to get to the bank during or after a heavy air raid on London. Travelling is always difficult, and sometimes dangerous. Yet without exception, women as well as men, they have all turned up with unfailing regularity and cheerfulness, and I take this opportunity of offering them our thanks.

TRADE CONDITIONS

It would not be appropriate in present circumstances to attempt any detailed survey of trade conditions in the countries where we have branches. Defence regulations, import and export control, and exchange restrictions have thrown comparative statistics, even if the material for making them were available, completely out of gear. My remarks under this head, therefore, will be brief. Before the war, trade with Germany and with the other countries on the Continent of Europe now occupied or dominated by Germany, accounted for about one-sixth of India's total overseas trade. This trade has now been cut off, and trade with other countries has been gravely hampered by lack of freight and also by import and export control. I referred last year to the prosperity then enjoyed by the jute trade. Mills were working to full capacity for 60 hours a week and exports from India of manufactured goods were at a high level when the course of the war in Northern Europe and the collapse of France in particular caused a falling-off in demand, which also was adversely affected by the scarcity of freight space. Mills faced the situation by cutting down production to the equivalent of 34 hours weekly and thereby have been able to keep stocks at reasonable levels. These developments, however, increased the difficulties of marketing an exceptionally large jute crop for which Government was anxious to secure an adequate return to the cultivators. It was ultimately agreed that mills should continue buying jute in quantities and at prices that would ensure orderly marketing, while they at same time fixed prices for their manufactures that would encourage buyers to operate. As a result values of jute, both raw and manufactured, have been well maintained, and if Government's efforts to control sowings of next season's crop are successful the immediate future of the jute trade will depend largely on the amount of space available for overseas shipments. The area under groundnuts has also been reduced, and the agriculturist is, I am afraid, not too prosperous.

COTTON MILLS ACTIVELY ENGAGED

The cotton mills, however, are actively engaged. There is a large internal demand for cloth and military orders are substantial. Industries too which contribute to the war effort, notably the iron and steel industry, are very busy and are expanding rapidly. There is no doubt that as the result of the Roger Mission and the Eastern Group Conference, the war will give a big impetus to the growth of industries in India. It is all to the good that India should, so to speak, be getting down to the war, and taking the long view, the more balanced economy which will result from these developments will be greatly to the benefit of the country. But the developments raise problems for exporters in this country, and the same remark is true of the expansion—greatly stimulated by the war—of India's market for cotton goods in British East Africa, Ceylon and Malaya. A higher rate of release combined with favourable prices has made the rubber and tin industries prosperous, at any rate for the time being, and this prosperity has been reflected in Malaya. The Ministry of Food is practically the only buyer of Malaya's other staple products such as vegetable oil products, sago and pineapples, and shortage of freight has interfered with the shipment even of these purchases. But rubber and tin are by so much the predominant factors in the prosperity of Malaya that despite other adverse

influences, the total trade of the country increased in 1940 by nearly 600 million dollars compared with that of 1939. Ceylon too had a good year owing to the prosperity of the rubber industry and to stable conditions in the tea industry.

POSITION IN CHINA

The war in China has dragged on through another year with little in the shape of success to the Japanese armed forces. Each month, however, has seen Japan obtain by political manoeuvres a tighter economic grip on the country. During the year control of all major commodities forwarded to Shanghai from the interior has been enforced. A system whereby permits have to be obtained before goods are purchased up-country and moved to Shanghai for export has resulted in more and more business going to Japanese firms who have no difficulty in obtaining permits to the exclusion of European firms. Silk and eggs have been particularly affected, but the restrictions are applied from time to time to most major commodities. Another threat to British trade in China is the recent opening of a new Central Reserve Bank of China under the control of the Nanking Government. In spite of everything, however, Shanghai itself enjoyed a fair measure of prosperity during the year. Local industries all did well, and many new industries were started and are flourishing. It is doubtful, however, whether the roots of this prosperity go very deep for the period was one of considerable inflation. In addition, the horizon is gravely overcast in the Far East, and I cannot speak too highly of the courage and ability with which Mr Huxter, the manager of our Shanghai branch, conducted the affairs of the bank during a period of continuous difficulty and anxiety.

I referred last year to the work of our enemy debt department, presided over by Mr Kennedy, our inspector of branches. It has succeeded in liquidating all but a small proportion of German outstandings, but the collapse of France brought a fresh access of work to the Department. The problems that have arisen are much the same as those I mentioned last year, and I need not go into any detail. The point I wish to make is that though we are hopeful that a good portion of the sums still due to us will prove ultimately recoverable, we have thought it wise to make full provision for all outstandings.

THE OUTLOOK

I can say little about the future. The fate of this bank is bound up with the outcome of the tremendous issues which are being fought out in this gigantic war, and like every one else in this country, I have no fears as to the final result. As regards immediate prospects, you will of course recognise that since we are an exchange bank, our prosperity depends mainly on the prosperity of international trade, and international trade for the reasons which I have already briefly indicated is at a low ebb. We have also to bear in mind the effect of the Excess Profits Tax combined with the high rate of income tax. Our profits are now limited to those we made in our standard year, and moreover these profits are subject to our income tax at more than double the rate then obtaining. We have no complaint, of course. It is the same for all public companies, but I will permit myself just one observation about the effect of the Excess Profits Tax at its present level. A bank's policy is to keep its dividend stable. When it has a good year it does not "dissipate"—the word is not mine, it is the word used by the Chancellor of the Exchequer—the extra profit in increasing its dividends. It puts it away to reserve, and the strength and stability of British banks is largely the result of this policy. The great disadvantage of the 100 per cent. Excess Profits Tax, from a banker's point of view, is that it makes this policy impossible, and that it prevents us from taking advantage of a good year to strengthen our reserves. If the tax is kept on too long it will be a serious thing for British banking.

I have already paid a brief tribute to our staff. I need only say now that we continue to have good reason for placing confidence in the skill and ability of our chief manager, Mr Crichton. We owe indeed a debt of gratitude to him for the way in which he has steered the bank through all the dangers and difficulties of the past few years. Mr Paton and Mr Cruden are able lieutenants, and have rendered him valuable assistance, and our branch managers and all our staff at home and abroad have laid us, as usual, under a great obligation.

UNION BANK OF SCOTLAND, LIMITED

RESULTS ENTIRELY SATISFACTORY

STRONG LIQUID POSITION

The annual meeting of shareholders of The Union Bank of Scotland, Limited, was held on the 7th instant.

Colonel Hugh B. Spens, D.S.O., D.L., presided in the unavoidable absence of the chairman of the bank, Sir A. Steven Bilsland, Bt., and read the latter's speech, in the course of which it was stated that the balance-sheet showed that deposits stood at £36,638,000 an increase of £637,000 compared with last year. This figure represented the highest point their deposits had reached at the date of the annual balance. In view of the very large increase in Government borrowing for the purpose of meeting war expenditure, a general expansion of bank deposits—in degrees which varied according to the nature of the business carried on by each individual bank—was inevitable. Government expenditure was also bound to have a considerable effect upon the amount of their note circulation, and this at £3,172,000 showed an increase of £239,000.

LIQUID RESOURCES

On the assets side, cash and money at call amounted to £9,597,000, an increase of £523,000. Bills under discount at £1,494,000, which included £1,325,000 Treasury Bills, showed a reduction of £987,000. An entry which appeared in the balance-sheet for the first time was that relating to their holding of £1,500,000 Treasury deposit receipts. Although not negotiable like Treasury Bills these receipts could be discounted at the Bank of England if necessity arose. They therefore formed an addition to the liquid resources. All these assets, together with British Government securities standing in the books at £16,461,000, amounted to £29,053,000, and consequently they were in the strong position of having 73 per cent. of their liabilities to the public in respect of deposits and notes in circulation available in the form of cash or easily realisable securities.

During the past few years they had been glad to be able to report a steady increase in the amount of loans and advances. This year, however, the total of £9,369,000 showed a decrease of £1,164,000. Although they were financing to a considerable extent many of their customers who were actively engaged in important Government work either as contractors or subcontractors, this was more than offset by a substantial reduction in general banking advances due to restriction of the stocks normally held by traders and to the fact that the Government was itself financing the purchase of raw materials and other commodities to an appreciable extent. The reduction in advances and the increase in deposits was more than covered by the increase in British Government securities amounting to £1,351,000, representing their support of Government issues during the year, together with the increase on balance in the amount lent to the Treasury on deposits and bills.

PROFIT AND ALLOCATIONS

The profit for the year amounted to £298,000, a reduction of approximately £4,700 compared with last year. Taking into account the continued rise in practically all items of their costs and in taxation, he thought they would agree that the results were entirely satisfactory.

For a number of years past allocations had been made regularly to contingencies account, but on this occasion it had been decided to place a sum of £50,000 to their published reserve. The bank's premises, which stood in the books at the very conservative figure of £404,000, had been maintained in first-class condition, but, as the present building restrictions had the effect of reducing additional capital expenditure to a minimum, it had not been considered necessary at this time to make any special allocation out of profits. As usual, they were being asked to approve of a sum of £25,000 being set aside to account of their liability in respect of pensions and other allowances. After making these allocations and providing for the proposed dividend of 18 per cent., they had a balance of £142,000 to carry forward, an increase of £7,000. As usual, full provision had been made for any bad or doubtful debts, and a valuation of their investments at April 2nd showed a considerable aggregate surplus over the total amount at debit.

The report was unanimously adopted, and a dividend at the rate of 18 per cent. per annum declared.

NATIONAL BANK OF EGYPT

EFFECTS OF WAR CONDITIONS

ACTIVE TRADE AND LARGER EXPORTS

ALY SHAMSY PASHA'S STATEMENT

The forty-first ordinary general meeting of the National Bank of Egypt was held on March 26th at the head office of the bank, Cairo.

Aly Shamsy Pasha (the president) was in the chair.

DIRECTORS' REPORT AND ACCOUNTS

The gross profit for the year, after providing for depreciation on the Bank's buildings and furniture, for rebate of discount and for doubtful debts, amounts to £945,130 13s. 2d. After deducting from this sum £20,205 for directors' fees and £513,041 18s. 11d. for current expenses, there remains £411,883 14s. 3d. In conformity with Article 49 of the bank's statutes, a dividend of 4 per cent. is payable on the share capital, £120,000, and after this distribution there remains £291,883 14s. 3d. Adding to this the balance brought forward from last year of £223,736 15s. 11d., the amount available is £515,620 10s. 2d. From this amount the directors recommend the payment of an additional dividend of 10 per cent. on the share capital, which will absorb £300,000, and to carry forward the balance of £215,620 10s. 2d. The total dividend for the year will thus be at the rate of 14 per cent., equivalent to £1 8s. per share. An interim dividend of 8s. having been paid on September 2, 1940, there remains to be distributed the balance of £1 per share, which will be paid subject to taxation under Laws No. 14 of 1939 and No. 26 of 1940.

BALANCE SHEET, 31st DECEMBER, 1940

	L.E.	MM.	£ST.	s.	d.
LIABILITIES					
Share Capital					
300,000 fully paid Shares of £10 each	2,925,000	000	3,000,000	0	0
Statutory Reserve Fund	1,462,500	000	1,500,000	0	0
Special Reserve	1,462,500	000	1,500,000	0	0
Current Deposit and other Accounts	26,366,772	870	27,042,843	19	5
Egyptian Government	447,902	609	459,387	5	10
Sudan Government	443,077	445	451,438	8	1
Mixed Tribunals	1,588,809	714	1,629,548	8	6
Public Debt Special Account	2,286,523	856	2,345,152	13	5
Bankers' Accounts	4,025,954	092	4,129,183	13	8
Cheques and Bills payable	259,511	455	266,165	11	11
Rebate of Discount on Bills not yet due	2,364	791	2,425	8	7
Dividends Unclaimed	103,256	098	105,903	13	10
Acceptances, &c.	1,885,886	075	1,934,242	2	7
Provision for payment of final dividend at the rate of 10% p.a.	292,500	000	300,000	0	0
Profit and Loss Account Balance	210,229	998	215,620	10	2
	43,762,789	003	44,884,911	16	0
ASSETS					
Government securities and securities guaranteed by the Egyptian Government	25,545,640	288	26,200,656	14	2
Sundry securities	2,541,774	639	2,606,948	6	10
Advances on Merchandise	3,738,944	192	3,834,814	11	1
Advances on Securities	1,523,989	437	1,563,066	1	10
Advances otherwise secured	1,251,561	103	1,283,652	8	3
Sundry other Advances	1,235,747	918	1,267,493	15	3
Bills of Exchange	1,332,706	835	1,366,878	18	2
Local Bills discounted	49,473	180	50,741	14	6
Buildings, Furniture, &c.	199,322	904	201,433	14	11
Money at Call and at Short Notice	595,725	000	611,000	0	0
Bankers' Accounts	1,524,371	961	1,563,458	8	5
Clients' Liability for Acceptances, &c., as per contra	1,885,886	075	1,934,242	2	7
Cash:					
Notes:					
L.E. 2,190,750; 250; Gold and Silver coin, &c.	2,337,045	371	2,397,584	19	11
46,895; 121					
	43,762,789	003	44,884,911	16	0

ISSUE DEPARTMENT

NOTES ISSUED	L.E.	M.M.	L.E.	M.M.
	39,500,000	000	39,500,000	000
			L.E.	M.M.
GOLD	6,240,583	305		
*British Government Treasury Bills and Treasury Bonds	13,509,416	692	19,750,000	000
SECURITIES				
Egyptian Government Securities and Securities Guaranteed by the Egyptian Government	1,500,000	000		
British Government Treasury Bills and War Loan	18,250,000	000	19,750,000	000
			39,500,000	000

* By authority of the Egyptian Government these Treasury Bills and Treasury Bonds are deposited in lieu of gold.

PRESIDENT'S SPEECH

The year through which we have passed since our last annual meeting has been one of continuous anxiety and difficult business condition.

This country had enjoyed comparative immunity from the effects of the war in the early stages of the struggle, but with the overthrow of friendly countries in Europe and the declaration of war by Italy, the situation changed completely and even our territory could no longer be regarded as secure from invasion. It is not surprising that in such conditions foreign trade suffered a setback and great apprehension was felt regarding the disposal of the cotton crop which had been sown under happier conditions.

The Government at once realised that the country's whole economic structure was faced with a grave misfortune and that a large number of agriculturists would be impoverished unless special measures were taken; their successful endeavours which resulted in the sale of the 1940-41 crop to the British Government merit the warmest approbation of the whole country and not least of the business community to which we belong. I think it would be ungracious were we not also to acknowledge our deep sense of gratitude to the British Government for their prompt and friendly action which saved the country from dire distress.

There is considerable evidence to show that the increased note circulation is largely due to causes unconnected with the rise in prices of certain goods. The clearing house figures also afford evidence that there has been no significant degree of an inflationary rise in prices.

HIGH FINANCIAL REPUTATION MAINTAINED

Despite the many adverse factors, Egypt has been able to maintain her high reputation for the soundness of her financial administration. The Budget for the coming year has been balanced without recourse to the reserve fund, a notable achievement at a time when most countries have had to face heavy deficits. It has been achieved not by increasing the burden of taxation to any great extent, but by reducing expenditure.

The circumstances to which I have referred earlier have had their effect on our balance-sheet. The figures reveal a large increase in our resources, and our monthly published statements will have shown you that the inflow of funds occurred in the latter months of the year and will have left you in no doubt regarding the benefit accruing from the happy arrangement for the disposal of the cotton crop.

The gross profits for the year 1940 were £945,130, representing an increase of £46,542 over the previous year. After deducting general expenses amounting to £533,246, there remains a net profit of £411,884, which, with a small draft of £8,116 on the carry-forward, your board proposes should be distributed by way of dividend at the same rate as a year ago—namely, 14 per cent.

CALEDONIAN INSURANCE COMPANY

RESULTS OF A DIFFICULT YEAR

The one hundredth and thirty-sixth annual general meeting of this company was held, on the 8th instant, in Edinburgh.

The chairman, Mr. Maurice Crichton, C.A., in moving the adoption of the report, said: Speaking generally, I should like to assure the shareholders that we are steadily surmounting our difficulties and have made full provision for our liabilities.

The net new life assurances granted during 1940 amounted to £627,450, the premiums thereon being £27,173, including £3,963 by single payments. The net new sums assured compare with £1,454,772 for the previous year, the reduction being due to the effects of the war and to the careful attitude maintained by the company.

The death claims for the year 1940 were £285,467 compared with £267,739 in the previous year, the increase being directly attributable to the war. Surrenders amounted to £87,582 against £57,278 in 1939, the increase being apparently due to financial stress. The total net premium income for 1940 was £591,838 compared with £610,603 in 1939.

The expenses for the year 1940, excluding those applicable to annuities, showed a ratio to the net premium income of 15 per cent. compared with 16.5 per cent. in 1939.

The average rate of interest on the combined Life Assurance and Annuity Fund (excluding reversions purchased) was £3 9s. 9d. per cent. after deduction of income tax, against £3 12s. 8d. per cent. for the previous year, the reduction being mainly accounted for by the increase in the rate of income tax.

The valuation of our Stock Exchange securities as at December 31st last showed that, in the aggregate, the market value at that time was less, by about 3½ per cent., than the figure appearing in the balance-sheet.

With regard to the question of the statutory valuation of the life fund, you will have seen from the annual report that it has been decided to make the next investigation as at December 31, 1941, in respect of the five years ending on that date. In the meantime, you will notice that the directors have decided to allot an interim bonus of £1 per cent. per annum under policies becoming claims by death or maturity in 1941 in respect of each year's premium due and paid in the years 1937 to 1940 inclusive.

FIRE, ACCIDENT AND MARINE DEPARTMENTS

The premium income for the year 1940 was £732,755 against £684,680 in 1939, and the profit was £14,665 compared with £45,989. The total fire fund at December 31, 1940, amounted to 108 per cent. of the premium income for the year.

You will observe this year that there is a special item, namely, "War Contingency Reserve," under which the sum of £3,600 has been set aside. This, I may explain, is in connection with contingent liabilities in respect of our business abroad, which are at present unascertainable on account of the war.

The combined account shows that the total premium income for 1940 was £510,930 against £568,358 for 1939. The profit was £16,520 compared with £23,767 for the previous year. The total accident fund at December 31, 1940, amounted to 89 per cent. of the premium income for the year.

As in the case of the fire department, you will notice that we have provided for a war contingency reserve, and that the amount set aside is £46,000.

The premium income for 1940 was £255,794 against £121,847 for 1939. The first year's claims in 1940 were £52,610, being 20.6 per cent. of the premium income.

The marine fund at December 31st last amounted to £306,071. On account of the uncertain conditions it has been decided to make no transfer on this occasion to profit and loss account.

PROFIT AND LOSS ACCOUNT

The balance at credit of profit and loss account at December 31, 1940, including the sum brought forward from the previous year, amounted to £193,400. Provision in the profit and loss account for British income tax covers all known liability to account for British income tax over the sum of £193,400 tax at the new rate of 10s. per £. Out of the sum of £193,400 the directors recommend that £20,000 be carried to the staff pension fund as at January 1, 1941, and that a dividend be declared at the rate of 15s. per share, subject to deduction of income tax, to be paid by equal half-yearly instalments on May 15th and November 11th next.

G. BEATON AND SON, LIMITED

INCREASED PROFIT

MR S. C. GOODWIN'S SPEECH

The annual general meeting of G. Beaton and Son, Limited, was held, on the 7th instant, in London, Mr S. C. Goodwin (chairman of the company) presiding.

The Chairman said: Ladies and Gentlemen,—It is not my intention, nor will it be expected of me, to enlarge upon the activities of your company during the past year; consequently, my remarks will deal with the salient features of the accounts and balance sheet.

You will observe that the profit for the year, using round figures, amounts to £56,519, an increase on 1939 of £9,199, and that after charging directors' fees and providing for taxation, the net profit comes out at £14,019.

TAXATION CHARGES

The charge for taxation includes an adjustment, due to the imposition of a higher standard of tax in the supplementary Budget of 1940, and the estimated liability, based on the existing scales of taxation, which arises on the accounts under review. It may appear to members that this charge is unduly high in relation to the profits. This is, of course, due mainly to excess profits tax, but is accentuated by the fact that the figure of profits upon which taxes are levied invariably differs, often materially, from that upon which a board of directors could prudently base its dividend recommendation. This difference in viewpoint in relation to profits results in the creation of definite hardships to companies which have effected developments in certain channels which cannot be regarded as other than temporary, inasmuch as only a modicum of the cost is immediately allowable by the revenue authorities in calculating the liability to excess profits and ordinary taxation, the balance being left to be dealt with in due course. In consequence, this balance must, for the time being, be financed out of profits left to the company as its "standard," with the result that the amount remaining available for distribution to shareholders is seriously depleted.

I feel strongly that I should be failing in my duty to shareholders if I did not refer to this position and the difficulties arising from the incidence of excess profits tax, which in many cases leaves a company with a too small portion of the profit earned, insufficient financial resources, and the inability to reserve adequately against post-war exigencies.

BALANCE SHEET ITEMS

Turning to the balance sheet, I would direct your attention to the fact that reserves, other than the amount earmarked against debtors, total £51,725, or upwards of 50 per cent. of the company's capital, and that the surplus of assets over liabilities is £169,754, a figure which has not materially changed from last year.

A significant point indicated by the balance sheet is that creditors on trade accounts and in respect of accrued expenses are higher by some £37,000, stocks and work in progress are up by over £50,000 and debtors by roughly £15,000. It is not considered necessary to increase the reserve against book debts which was built up against contingencies arising in the course of our normal business of motor accessories manufacturers. The fixed assets do not show any decided fluctuation compared with 1939, but there is a drop of roughly £16,000 in cash.

Under the heading of trade investments an increase of £7,500 will be noted. Of this amount £4,700 represents additional loans to another company which, along with moneys previously advanced, will in due course be satisfied by the issue of shares, and £2,800 is on joint venture account. I may add that the company referred to, and the joint venture in which we hold a 50 per cent. interest, are earning profits on a scale considered by the board to be satisfactory.

I know it would be your desire that I should express the thanks of this meeting to the company's officials, staff and workpeople for their services during the year.

The report and accounts were unanimously adopted and the usual formal business transacted.

At a subsequent extraordinary general meeting a resolution was passed approving an alteration to the articles of association fixing the fees of the directors at £1,000 per annum.

SAN FRANCISCO MINES OF MEXICO, LIMITED

The twenty-eighth ordinary general meeting of San Francisco Mines of Mexico, Limited, was held, on the 7th instant, at Winchester House, Old Broad Street, E.C., Mr C. T. Pott presiding.

The chairman, in the course of his remarks, said: The operating profit for the year amounted to £22,232, as compared with £4,515 during the previous period. After charging reserve for depreciation of machinery, etc., Mexican income tax and the usual London overheads, and crediting interest and a reserve of £4,108 no longer required, this profit is changed to a net loss of £15,845.

While the operating results for the year show some slight improvement, it is nevertheless disappointing. The smaller tonnage milled, poor labour efficiency, the low market prices for metals, and the small demand for lead all contributed to this unsatisfactory result.

For a portion of the year lead was practically unmarketable, but we were able to dispose of our zinc concentrates in the United States. Fortunately the lead position has now improved, and we have been able to sell at remunerative prices the heavy stocks of lead which we held at the end of the year.

The tonnage milled was 437,920 tons, being a reduction of about 8 per cent. on the previous year, which is due partly to the suspension of milling of carbonate ores and partly to the labour shortage.

We shall shortly be entering upon negotiations for a new collective labour contract. While we have always aimed to treat labour on generous lines, both as regards wages and social benefits, there are many conditions in the present collective contract which are most onerous. As I have mentioned on other occasions, these unduly burdensome labour conditions coupled with the enormous taxation, which is mainly charged on revenue and which the company has to bear during a period of unfavourable base metal prices, results in there being nothing left for those who have to bear the weight of financing and running the business. However, I am glad to say that there has been some amelioration so far as certain existing taxes are concerned, and we can only hope that the Mexican Government will see the wisdom of granting more sympathetic treatment to mining companies operating in Mexico.

Due partly to the shortage of labour and partly to the necessity of increasing our broken ore reserves, development operations during the year were further restricted, the total accomplished being 2,433 metres, which was 30 per cent. less than for the previous year. As we all know, development is vital for the maintenance of ore supplies for the mill, so that this falling off gives cause for some anxiety. Fortunately the results of the development were encouraging. The work to the south on the tenth level of the important Brown vein, on the Footwall vein below the seventh level and on the tenth level of the Bronces vein is most promising, and in general this applies to development on other veins in the San Francisco Mine. The work on the Cobriza vein is exposing ore north of any ore previously developed at the San Francisco Mine, and we are hopeful that the area north of the North Shaft, hitherto considered barren, may ultimately yield an important ore supply.

At the Clarines Mine, the Clarines vein, which is at present the main source of ore production from this mine, development for a while exceeded expectations, but more recently the vein has pinched and is of low grade. On the Pilares vein developments continue to be good.

There is no doubt that the mine continues to open up well, and under reasonable operating conditions a long and profitable existence would be ensured. But we are beset with many difficulties. The waging of war handicaps the marketing of our production. The uncertain and unsatisfactory labour supply necessitates operating the mill at much under capacity, and it is impossible to prognosticate the demand and prices for the metals we produce and the trend of taxation. As to conditions now ruling, it suffices if I mention that during the first quarter of the current fiscal year we made a small operating profit of about \$12,000, which does not include excess realisations in respect of end-year metal stocks since sold.

The report and accounts were unanimously adopted.

SPILLERS LIMITED

FLOUR MILLERS' NEGOTIATIONS WITH MINISTRY

STATEMENT BY SIR MALCOLM ROBERTSON

The fifty-fourth annual general meeting of Spiller, Limited, was held, on the 9th instant, at the Aldwych Room, Waldorf Hotel, London, W.C. The following is an extract from the statement which was submitted to the meeting by the chairman of the company, the Rt. Hon. Sir Malcolm A. Robertson, P.C., G.C.M.G., K.B.E., M.P., and which had been previously circulated to stockholders:—

It is a matter of regret to your directors that for the second successive year they are unable to present to you the accounts of the company. Last year I explained to you the circumstances which made impossible the compilation of accounts for the financial year ended January 31, 1940. The same applies to the year ended January 31, 1941.

SOME AGREEMENTS REACHED

During the past year almost continuous negotiations have been taking place between the Ministry of Food and the various industries in which your company is interested with a view to arriving at some basis for determining the earnings of these industries under control conditions. Considerable progress has been made, and in certain instances agreement has been reached; but on the flour-milling side negotiations have not yet arrived at a stage where a scheme can be submitted for the consideration of the industry. It is hoped that this stage will shortly be reached, but even if this is so, and if the scheme is one acceptable to the industry, the accounting problems to which it will give rise will be such as to delay the ascertainment of the company's position for a very considerable time thereafter.

In the present circumstances, I must defer further comment until such time as a scheme has been evolved and its effect upon the company considered. I shall also be compelled to propose once again that this meeting be adjourned *sine die* for the future reception of accounts.

BOARD'S DIVIDEND DECISION

The absence of information concerning the actual earnings of the company is a source of great anxiety to your board, and, you will appreciate, presented a serious problem in regard to the recommendation of dividends for the past year. After full consideration your directors came to the conclusion that in view of the strong liquid position of the company, the reserves built up over a long period of years, and the volume of business conducted in the past year upon which some reasonable profit ought to be forthcoming under such scheme of remuneration as may ultimately be formulated, they would be justified in recommending the declaration of dividends at the same rates as have applied for a number of years past. A resolution to this effect will be laid before you at a later stage of this meeting.

Although in view of the considerations mentioned the Board felt itself able to recommend the maintaining of the dividend rates for the past years, I think it wise to state that this should not be taken as an indication that under prevailing conditions it will be possible to continue distributions at the same level. I have already intimated that we are as yet unable to forecast the effect upon the company of such agreement as may be reached with regard to the flour-milling side of the business.

Apart from this, there is the possible reaction upon the results of our other activities arising from the curtailment of supplies of raw material, and finally, there is the general effect of war conditions as a whole and particularly damage from enemy action. In the latter connection it is right to inform you that damage has occurred to certain of your company's properties, and we are, of course, unable to assess what the future may hold in store in this respect.

THE WAR DAMAGE ACT

In connection with this latter subject, I might refer to the provisions of the War Damage Act. While it is true that this provides a substantial measure of indemnity against the

MITCHELL COTTS AND COMPANY, LIMITED

STATEMENT BY MR ALEXANDER HAMILTON

The following is the statement of the chairman, Mr Alexander Hamilton, which has been circulated with the report and accounts:—

The profit and loss account shows trading profits of £139,343, from which are deducted directors' fees £500, and provision for taxation £60,000, leaving a balance of £78,843.

The preference dividend absorbed £5,363, which left £73,480 available for reserve and ordinary dividends. The directors propose to transfer to general reserve £20,000 and to staff provident fund £5,000, making a total of £23,000.

It will be remembered that we declared and paid an interim dividend of 4 per cent. (less tax) in July last, and a final dividend was declared at the annual general meeting held last December, and has since been paid. This was 9 per cent. (less tax) and made a total for the year of 13 per cent., as against 12 per cent. for the previous year. These dividends together absorb £42,897, leaving £5,583 of the year's profit to be added to the balance carried forward, which will now stand at £43,607.

The increased provision for taxation will cause shareholders no surprise, being brought about by the increase in profits and the higher rates now in force.

As regards the excess profits tax, progress has been made with the negotiations with the Inland Revenue, and although no final figure has yet been agreed, the indications are that our "standard profits" will be satisfactory. It is estimated that the present charge for taxation in the accounts under review is adequate to cover the company's liabilities under this heading.

In view of the unavoidable delay between the close of the accounts and their presentation, it may be helpful if I state that during the current year we have fully maintained our position, and have every reason to expect that the accounts for the year to June, 1941, will not be less satisfactory than those now before the shareholders.

F. FRANCIS AND SONS, LIMITED

INCREASED PROFIT AND DIVIDEND

The fortieth ordinary general meeting of F. Francis and Sons, Limited, was held on the 8th instant in London.

Mr John Ismay (chairman of the company), who presided, said: I record with the deepest regret the loss to our company by the death of our joint managing director, Mr J. H. E. Francis, who was the son of the original founder of the business and had been associated with it for over 50 years. He became a director when F. Francis and Sons, Limited, was formed in 1900. He was not only a keen business man, but had a kindly nature and was highly esteemed by all who knew him. We will miss him deeply. You will be glad to see that his brother, Mr S. W. Francis, remains as managing director.

I do not think there is anything special to draw your attention to in the balance sheet. The bulk of our extra profit has been taken up by the additional provision for taxation. We have slightly increased our provision for depreciation, but have not put anything to general reserve, as this is not considered necessary, our assets being conservatively valued, adequate depreciation having been written off our wasting assets over many years.

Whilst we propose a final dividend of 10 per cent. against 8½ per cent. for the previous year, this actually only involves a payment of £10,000 against £10,600 previously, and we have increased the carry-forward to over £20,000.

The consolidated statement shows that, in spite of the heavy provision for taxation included in the current liabilities and provisions, our margin of liquid assets over liabilities has risen from £93,676 last year to £110,477 this year, that is, an increase of £16,800. Your board view the future with confidence.

The report and accounts were unanimously adopted. The final dividend of 10 p.c. (making 14 p.c. for the year) was approved; the retiring director, Mr F. Skade, was re-elected; and the auditors, Messrs Jas. Williamson and Co., having been reappointed, the proceedings terminated with a vote of thanks to the chairman, directors and staff.

loss of or damage to physical assets, there is no cover against consequential loss. Again, the War Damage Act calls for the payment of substantial premiums, and those relating to fixed assets are specifically described as being of a capital nature and accordingly do not constitute an admissible deduction from profit for the purposes of assessment to taxation. In effect, this represents a material additional tax upon owners of property and of itself will bring about an appreciable reduction in profit available for distribution.

It is fully accepted that great sacrifices must be made by the whole community for the purpose of financing the expenditure necessitated by the war; but the preservation of essential industry on a basis which will enable it to live and to compete in the post-war period is surely a matter which cannot be ignored. In these circumstances I express the hope that something may yet be done to spread more equitably the burden of war damage, as the effect of adding still further to the existing level of direct taxation in the case of an industry subject to rigid control may well be serious.

PRODUCTION OF ESSENTIAL FOODSTUFFS

As regards the general conduct of the company's business, I am happy to be able to tell you that every effort has been made, and will continue, to utilise to the fullest extent possible our facilities for the production of essential foodstuffs. Your directors are also continuing so far as is within their power, and consistent with current conditions, to preserve the basis of the company's trade and to conduct operations in the best interests of the stockholders.

The report was adopted unanimously.

WILLIAM BEARDMORE AND COMPANY, LIMITED

DIVIDEND OF 10 PER CENT

The ordinary general meeting of William Beardmore and Company, Limited, was held, on the 5th instant, in the offices of the company, at 207, Shettleston Road, Glasgow.

In the unavoidable absence of Sir James Lithgow, Bt., M.C., D.L., chairman of the company, Mr. Alexander Williamson, B.Sc., M.Inst.C.E., managing director, presided.

The secretary, Mr D. M. Cameron, C.A., read the notice convening the meeting, and the auditors' report was read by Mr R. H. Ballantine, C.A.

The chairman, after referring to the circular which had been issued to ordinary stockholders informing them that the directors had considered it advisable at the present time, in the interests of national security, to dispense with his usual address, moved: "That the report of the directors and the accounts for the year ended December 31, 1940, be, and they are hereby, adopted."

Mr J. B. Talbot-Crosbie seconded the resolution, and it was carried unanimously.

The placing of the sum of £200,000 to war contingencies reserve was confirmed.

The final dividend on the ordinary stock of 7 per cent., less tax, making 10 per cent. for the year to December 31, 1940, was authorised; the retiring directors, Mr Wilson Harvey and Mr Frank Hodges, were re-elected; the auditors, Messrs J. Wyllie Guild and Ballantine, were reappointed; and, after a vote of thanks had been accorded to the chairman, the proceedings terminated.

Every year many hundreds of Companies publish Reports of their Annual General Meetings in *The Economist*, thereby reaching thousands of investors in the quiet of their own homes. In time of war the value of this practice is greatly enhanced because *The Economist* provides valuable information which is not otherwise available to investors, who therefore read it more carefully than ever.

Full particulars of the charges for inserting these reports may be obtained on application to The Reporting Manager, *The Economist*, 8 Bouverie Street, E.C.4.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended May 3, 1941, total ordinary revenue was £30,933,000, against ordinary expenditure of £86,487,000, and issues to sinking funds of £130,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £274,033,000 against £167,012,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1 to May 4, 1940	April 1 to May 3, 1941	Week ended May 4, 1940	Week ended May 3, 1941
ORDINARY REVENUE				
Income Tax	16,778	35,832	3,752	5,801
Sur-tax	3,900	4,480	650	540
Stamp duties, etc.	7,800	9,483	1,610	1,983
Stamps	700	940	430	...
N.D.C.	1,720	1,370	400	370
R.P.T.	190	13,512	60	2,098
Other Inland Revenue	50	30	...	...
Total Inland Revenue	31,138	65,653	6,902	10,702
Customs	25,745	31,941	5,567	6,349
Excise	12,458	19,120	960	11,666
Total Customs and Excise	38,203	51,061	6,527	18,015
Motor Duties	4,644	3,375	589	426
P.O. (Net Receipt)	2,600	2,150	1,550	1,700
Crown Lands	160	170	...	...
Receipts from Sundry Loans	182	66	3	...
Miscellaneous Receipts	838	833	20	...
Total Ord. Revenue	77,765	123,308	15,591	30,933
SELF-BALANCING Post Office and Broadcasting	6,200	6,550	900	900
Total	83,965	129,858	16,491	31,833
Issues out of the Exchequer to meet payments (£ thousands)				
Expenditure	April 1 to May 4, 1940	April 1 to May 3, 1941	Week ended May 4, 1940	Week ended May 3, 1941
ORDINARY EXPENDITURE				
Int. & Man. of National Debt	38,911	45,944	14,594	17,068
Payments to N. Ireland	592	299	296	...
Other Cons. Fund Serv.	234	286	...	9
Total	39,737	46,529	14,890	17,077
Supply Services	19,821	35,036	42,150	69,410
Total Ord. Expenditure	237,998	398,895	57,040	86,487
SELF-BALANCING Post Office and Broadcasting	6,200	6,550	900	900
Total	244,198	405,445	57,940	87,387

After decreasing Exchequer balances by £380,662 to £2,325,360, the other operations for the week (no longer shown separately) raised the gross National Debt by £55,545,386 to about £11,670 millions (after deducting £17,043,000 issued to sinking funds in 1940-41, but excluding issues to sinking funds in 1941-42).

NET ISSUES (£ thousands)		NET RECEIPTS (£ thousands)	
P.O. and Telegraph	290	Repayments under	...
Housing Act	8	Title Act	60
Overseas	94		
Guarantees	302		

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1941, to May 3, 1941, are:—

Ordinary Exp.		Ord. Revenue	
May 4, 1941	398,894	May 3, 1941	123,308
Misc. issues (net)	1,851	Gross. bor. 275,633	
		Less:	
		Sinking fds.	466
		Net borrowing	275,167
		Dec. in balances	300
	398,775		398,775

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1940						
May 4	675.0	707.9	49.3	...	...	1432.2
Feb. 1	845.0	...	Not available	...	...	...
" 8	845.0	...	Not available	...	...	...
" 15	845.0	...	Not available	...	...	...
" 22	845.0	1369.4	165.5	...	355.0	2734.9
Mar. 1	845.0	...	Not available	...	...	...
" 8	845.0	...	Not available	...	...	...
" 15	845.0	...	Not available	...	...	...
" 22	845.0	...	Not available	...	...	...
April 5	845.0	1211.6	172.3	...	429.5	2813.4
" 12	850.0	...	Not available	...	...	...
" 19	855.0	...	Not available	...	...	...
" 26	865.0	1370.4	163.5	...	502.5	2909.4
May 3	875.0	...	Not available	...	...	...

TREASURY BILLS

Date of Tender	Amount (£ millions)			Average Rate	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1940					
May 3	60.0	113.2	60.0	s. d.	45
Jan. 24	65.0	139.4	65.0	20	4.04
" 31	65.0	150.7	65.0	20	2.84
Feb. 7	65.0	149.4	65.0	20	3.39
" 14	65.0	142.5	65.0	20	4.23
" 21	65.0	139.1	65.0	20	4.43
" 28	65.0	151.2	65.0	20	3.43
Mar. 7	65.0	153.8	65.0	19	0.17
" 14	65.0	131.6	65.0	19	11.79
" 21	65.0	148.3	65.0	20	2.05
" 28	65.0	144.7	65.0	20	2.46
April 4	70.0	104.7	70.0	20	2.41
" 11	70.0	156.6	70.0	20	2.72
" 18	75.0	161.8	75.0	20	2.63
" 25	75.0	168.9	75.0	20	2.20
May 2	75.0	170.4	75.0	20	3.16

On May 2nd applications at £99 14s. 10d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were applied for, and applications at higher prices in full. Applications at £99 14s. 11d. for bills to be paid for on Saturday were accepted to full. £75 millions of Treasury bills are being offered on May 9th. For the week ending May 10th the banks will be asked for Treasury deposits to the maximum amount of £40 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

Week ended	N.S.C.		3% Def. Bonds		New 2½% Bonds		3% Sav. Bonds
	£ thousands	£ thousands	£ thousands	£ thousands	£ thousands	£ thousands	
Mar. 25	5,055	4,658	14	17,685	11,080	11,080	
Apr. 1	4,918	4,957	Nil	11,252	10,541	10,541	
" 8	4,405	4,508	Nil	10,448	8,516	8,516	
" 15	2,567	2,803	Nil	2,428	4,890	4,890	
" 22	3,560	2,785	Nil	2,690	3,789	3,789	
" 29	5,118	4,318	Nil	6,862	5,673	5,673	
May 6	...	...	5	7,822	20,279	20,279	
Totals to date	272,107	267,390	44,440	186,679	133,871	133,871	

Interest free loans received by the Treasury up to May 3rd amounted to a total value of £32,143,563. Up to April 26th, principal of Savings Certificates to the amount of £33,972,000 had been repaid.

BANK OF ENGLAND RETURNS

MAY 7, 1941

ISSUE DEPARTMENT

Notes Issued: £		Govt. Debt: £	
In Circulation	625,972,539	Other Govt. Securities	666,144,531
In Bankg. Department	54,269,036	Other Secs.	2,830,472
		Silver Coin	9,897
		Amt. of Fld. Issue	680,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,575
	680,241,575		680,241,575

BANKING DEPARTMENT

Propos. Capital £		Govt. Secs. £	
14,553,000	3,164,590	Other Secs.	102,477,838
Rest	12,236,778	Discounts & Advances	19,351,561
Public Depts.*	113,556,211	Securities	19,739,740
Other Depts.	53,963,363	Notes	39,141,301
Bankers	...	Gold & Silver Coin	54,269,036
Other Accts.	...		1,585,767
	167,519,574		197,473,942
	197,473,942		197,473,942

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

THE WEEK'S CHANGES

Both Departments		Compared with	
£ thousands		Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	625,973	+ 2,623	+ 82,090
Deposits: Public	12,237	- 1,111	- 20,907
Bankers	113,556	- 18,196	- 5,431
Others	53,963	- 8,277	+ 8,993
Total outside liabilities	805,729	- 20,264	+ 75,587
Capital and rest	17,718	+ 17	- 1
COMBINED ASSETS			
Govt. debt & securities	779,637	- 6,855	+ 64,160
Discounts and advances	19,351	- 8,963	+ 14,831
Other securities	22,620	- 4,571	- 8,845
Silver coin in issue dept.	10	+ 2	- 500
Coin and gold bullion	1,827	+ 136	+ 301
RESOURCES			
Res. of notes and coin in banking department	55,855	- 2,487	+ 18,372
"Proportion" (reserve to outside liabilities in banking dept.)	31.0%	- 2.3%	+ 10.9%

COMPARATIVE ANALYSIS

Issue Dept.	£ millions			
	1940	1941	1941	1941
Notes in circulation	544.0	622.5	623.3	626.0
Notes in banking department	36.3	7.8	56.9	54.3
Government debt and securities	576.4	627.1	677.2	677.2
Other securities	3.1	2.9	2.8	2.6
Silver coin	0.5	0.0	0.0	0.0
Gold, valued at s. per fine oz.	0.2	0.2	0.2	0.2
Deposits:	168.00	168.00	168.00	168.00
Public	33.1	10.1	13.6	12.2
Bankers	108.1	112.5	131.8	113.6
Others	45.0	52.2	57.2	54.0
Total	186.2	180.8	202.6	179.8
Banking Depart. Secs.:				
Government	130.1	132.2	109.3	102.5
Discounts, etc.	4.5	8.2	28.3	19.4
Other	22.0	1.1	24.4	19.8
Total	156.6	141.5	162.0	141.7
Banking depart. res.	37.5	9	58.3	55.9
"Proportion"	20.1	5.0	28.7	31.0

* Government debt is £11,015,100; capital, £14,553,000. Financial issue raised from £680 millions to £680 millions on April 30, 1941.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Finland appeared in "The Economist" of Dec. 9th, 1939; Norway, of Apr. 13th, 1940; Denmark, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Switzerland, of June 15th; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Mellie Iran, of Nov. 23rd; Lithuania, of Nov. 30th; Roumania, of Feb. 8th; Reichsbank, International Settlements, of Feb. 15th; Roumania, of Feb. 22nd; Portugal, of Mar. 8th; Greece, of Mar. 22nd; Argentina and Yugoslavia, of Apr. 26th; U.S. Federal Reserve Member Banks, India and Turkey, of May 3rd.

U.S. FEDERAL RESERVE BANKS

12 U.S.F.R. BANKS		May 1, 1940	Apr. 1, 1941	Apr. 2, 1941	May 2, 1941
RESOURCES					
Gold Certs. on hand and due from Treas.	16,443	20,125	20,160	20,193	
Total reserves	16,879	20,461	20,504	20,533	
Total cash reserves	380	326	334	329	
Total U.S. Govt. secs.	2,467	2,184	2,184	2,184	
Total bills and secs.	2,479	2,192	2,194	2,194	
Total resources	20,122	23,869	23,658	23,656	
LIABILITIES					
F.R. notes in circ.	4,946	6,296	6,218	6,282	
Excess res. bank res.	6,110	6,260	6,760	5,770	
Mr. banks res. dep.	12,870	13,970	13,506	13,524	
Govt. deposits	490	534	947	865	
Total deposits	14,153	16,276	16,261	16,220	
Total liabilities	20,122	23,869	23,658	23,656	
Reserve ratio	88.1%	91.0%	91.2%	91.3%	

BANKS AND TREASURY:		May 1, 1940	Apr. 1, 1941	Apr. 2, 1941	May 2, 1941
RESOURCES					
Monetary gold stock	18,771	22,421	22,482	22,505	
Treas. and bk. currency	3,000	3,116	3,118	3,122	
LIABILITIES					
Money in circulation	7,570	8,989	8,992	9,071	
Treas. cash and dep.	2,783	2,803	3,246	3,148	

AUSTRALIAN COMMONWEALTH BANK.—Million £'s

ASSETS	Mar. 18, 1940	Mar. 3, 1941	Mar. 10, 1941	Mar. 17, 1941
	1940	1941	1941	1941
Gold and English stg.	16.08	17.71	17.71	17.71
Other coin, bullion, etc.	9.41	5.89	6.02	6.43
Call Money, London	27.03	65.53	61.41	63.82
Secs. and Treas. bills	84.87	88.41	87.84	88.43
Discounts and advances	36.15	24.85	24.68	22.81
LIABILITIES				
Notes in circulation	53.53	62.37	62.62	62.62
Sight liab. and deposits	3.90	3,627	3,665	4,061
Cover	27.3%	29.1%	28.9%	27.5%

NATIONAL BANK OF BULGARIA

	Jan. 23, 1940	Nov. 15, 1940	Nvo. 23, 1940	Ja 23, 1941
ASSETS				
Gold holdings	2,006	2,006	2,006	2
Balances abroad, etc. .	2,020	2,340	2,384	2
Discounts and advances	1,399	2,494	2,488	2
Advances to Treasury.	3,393	3,373	3,373	3
LIABILITIES				
Notes in circulation ...	3,949	6,255	6,258	6
Sight liab. and deposits	3,900	3,627	3,665	4
Cover	97.3%	29.1%	28.9%	27.7

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													
Walker (John) & Sons ...	Mar. 31	405,106	...	385,105	525,105	60,375	290,587	45	35,000	- 857	621,449	561,440	50
Financial, Land, etc.													
African City Properties	Dec. 31	151,615	...	57,196	97,349	7,500	40,750	17	5,000	- 2,054	156,711	68,458	17
Aldford House (Park Lane)	Dec. 24	14,270	...	4,758	7,060	3,450	...	...	...	+ 1,308	17,868	8,190	2
Associated Gas, etc.	Mar. 31	157,367	...	63,758	96,309	29,411	25,736	5	...	+ 8,611	158,093	74,574	5
Iron, Coal and Steel													
Colvilles Ltd.	Dec. 31	1,228,686	350,000	77,186	348,709	63,250	165,601	8	...	- 151,065	1,205,084	253,984	8
Dixon (William)	Feb. 28	143,194	...	45,360	73,627	7,687	34,768	10	...	+ 2,905	73,281	34,774	7(4)
Lothian Coal Co.	Feb. 28	79,869	...	77,306	117,110	10,950	66,300	10+	...	+ 56	97,433	54,202	12(1)
Motor Cycle & Aviation													
Currys Ltd.	Jan. 25	86,338	...	50,391	69,818	15,000	35,000	10	...	+ 391	75,063	50,138	10
Romac Motor Accessories	Sept. 30	79,903	3,737	9,480	9,843	...	7,350	7(1)	2,000	+ 130	75,823	8,413	6
Rubber													
Krian	Dec. 31	16,801	...	4,016	9,929	...	4,312	7(1)	...	- 296	12,620	4,272	7(1)
Shipping													
General Steam Navigation	Dec. 31	31,206	...	31,206	55,512	10,568	18,996	5(1)	...	+ 1,642	32,122	32,122	5(1)
Trucks													
American Investment, etc.	Mar. 15	182,170	...	99,611	151,885	43,750	48,125	5+	10,000	- 2,264	188,416	105,454	6
Continental Union Trust	Mar. 31	54,455	...	39,712	76,694	15,890	19,294	6	...	+ 4,528	62,734	47,320	6
Gresham Trust	Mar. 31	41,626	...	18,322	32,518	11,248	7(1)	10,000	- 3,106	+ 41,195	20,761	20,761	Nil
London & S. American	Mar. 31	40,653	...	22,314	66,067	14,688	...	...	6,994	+ 632	46,178	26,058	2
Sec. Secur. Tst. of Scotlnd.	Mar. 31	40,470	...	9,728	27,843	7,922	1,038	1	200	+ 568	45,236	18,482	2
Waterworks													
Monte Video Waterworks	Dec. 31	266,953	...	120,586	333,569	...	81,250	5	20,000	+ 19,336	219,560	99,963	5
Other Companies													
Anglo-American Telegraph	Mar. 31	262,500	...	154,863	220,488	121,029	33,384	(b)	...	...	262,550	174,544	(b)
Chinese Engineering, etc.	June 30	239,698	...	54,028	237,046	73,500	19,800	3(1)	...	- 19,472	358,145	223,820	7(1)
Cow & Gate	Sept. 30	110,223	10,000	67,690	118,993	25,875	10,800	10	10,000	+ 12,015	95,183	36,299	Nil
Francis (F.) & Sons	Dec. 31	83,140	10,492	26,364	39,892	4,744	14,600	14	...	+ 4,020	59,254	19,922	10(1)
Hall Telephone Acces.	Dec. 31	209,371	...	28,802	36,545	...	16,128	10	10,000	+ 674	115,895	23,171	10
Howard and Wyndham	Feb. 28	15,204	1,953	2,651	11,160	675	2,413	2(1)	...	+ 437	26,693	8,566	50(1)
Ideal Boilers, &c.	Dec. 31	283,157	...	158,309	353,983	50,000	105,000	15(1)	...	+ 3,300	386,069	243,013	15
Johnson & Phillips	Dec. 31	491,302	32,181	149,572	256,026	120,000	15	30,000	- 428	...	184,820	15,543	12(1)
Melhuish (Wm.)	Dec. 31	15,448	...	14,087	20,657	10,525	938	12(1)	2,000	+ 624	16,818	15,543	12
Mitchell Cotts & Co.	June 30	139,343	...	73,843	111,866	5,363	42,897	13	20,000	+ 5,583	113,411	65,560	10
Olympic Portland Cement	Dec. 31	54,475	20,183	14,957	47,426	...	13,619	10	...	+ 1,338	64,413	19,985	10
Pears (A. & F.)	Dec. 31	85,174	...	70,174	91,836	50,400	20,000	10	...	+ 226	79,109	63,109	10
Scottish Stamping	Dec. 31	21,507	...	21,007	23,829	3,000	7,033	10	10,000	+ 974	21,810	21,337	10
Water's "Palm" Toffee	Dec. 14	105,915	4,501	24,321	32,697	9,932	...	...	...	+ 14,389	84,320	10,425	Nil
Totals (£'000) :													
Week to May 10, 1941 ...	No. of Cos.	31	5,145	423	1,972	3,746	572	1,326	...	- 97	2,824	2,643	...
Jan. 1 to May 10, 1941	642	130,228	8,725	64,540	101,780	13,107	42,686	...	6,178	+ 2,569	122,689	72,227	...

† Free of Income Tax.

(a) Absorbed £49,200.

(b) Represents £3 13s. 6d. per cent. on ordinary stock and £1 10s. on deferred stock.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash. Previous year's rate is total dividend unless marked * indicating interim dividend.

Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
BANKS														
Anglo-Palestine Bank	...	6	...	6	Rubber Ests. of Johore	...	4	May 21	2	Hoyle (Joshua)	...	2 1/2	...	2 1/2
Bk. of N.S. Wales	6pa	...	...	6pa	Ulu Rantau Rubber	...	2 1/2	...	Nil	International Nickel	50 Cts	...	...	9
INSURANCE														
Alliance Assurance	10/-	18/-	July 5	18/-	Yunnan Rubber	...	3 1/2	...	3	Kinross Ltd.	...	12	...	12
Commercial Union	17 1/2	32 1/2	...	32 1/2	Associated Equipment	2 1/2	...	...	2 1/2	London Gen. Investment	8 1/2	...	...	14
Employers' Liability	2/-	3/6	...	3/6	Atkinson's Brewery	4	...	...	4 1/2	London Trust	9 1/2	...	...	38 1/2
Equity & Law Life	...	4	...	1 1/2	Benskin's Brewery	6	...	...	6	Marks & Spencer	20 1/2	35	June 6	11
Life Assn. of Scotland	...	20	...	18/9	Bristol United Breweries	5	...	...	5	Melbourne Hart	1 1/2	7 1/2	...	Nil
London and Manchester	...	15	...	18/9	British Match	5 1/2	8	May 21	7 1/2	Madeley Collieries	2 1/2	...	...	12
Planet Assurance	2/9	...	...	2/9	Cellon Ltd.	10 1/2	20	...	20	Mitchell Cotts	9 1/2	13	...	20 1/2
Sun Life	2/9	...	...	2/9	Cheltenham Orie. Brew.	5	...	...	5	New River Co.	...	8	...	20 1/2
MINING														
Anglo-Amer. Cpn. S. Af.	...	20	...	20	Chinese Engineering	...	...	...	...	P. & O. Steam (Dep)	2 1/2	...	...	2 1/2
Marl Gold	10	...	...	10	Cons. African Sel. Tst.	1 1/2	...	...	1 1/2	Pressed Steel Co.	17 1/2	...	...	17 1/2
Mount Lyell Mining	6d.	...	...	6d.	Dalgety & Co.	3	...	May 26	1 1/2	Quickto Ltd.	4 1/2	...	...	4 1/2
Rahman Tin	5	...	...	5	Derbyshire Stone	...	10	...	...	Ransoms Sims, etc.	...	...	...	...
Ulu Klang Tin	5	...	...	5	Egyptian Delta Land	...	5(6)	...	...	Reddaway (F.) & Co.	...	8	...	...
TEA AND RUBBER														
Amalgamated Tea	...	7 1/2	...	7 1/2	English Sewing Cotton	2 1/2	...	...	4 1/2	Robey & Co.	...	...	...	...
Ang. Amer. Tea Tdg.	...	7 1/2	...	7 1/2	Finlay (James) & Co.	7 1/2	12 1/2	...	12 1/2	Stroud Brewery	7 1/2	...	...	...
Beau Sejour Rubber	4 1/2	...	...	3	Fourth Brit. Fixed Trust	13-20d	...	May 15	14-20d	Tetley (Joshua)	...	...	...	...
Chusa Rubber	4 1/2	...	...	5	Galloway (P. H.)	...	...	...	...	Trinidad Petroleum	6	...	...	...
Cons. Tea & Lands	7 1/2	...	...	10	General Motors	...	10	...	11 1/2	United Molasses	(c) 15 1/2	(c) 22 1/2	...	15
Damansara Rubber	4 1/2	...	...	4	General Scottish Trust	...	...	...	...	Vitacream	15	...	...	...
Kanani Hills Produce	14 1/2	...	...	17 1/2	General Steam Navgn.	...	...	...	...	Walker (John) & Sons	...	45	...	55
Kapar Para Rubber	...	6 1/2	...	5	Glendfield & Kennedy	15 1/2	20	...	15	Walsh Conduits	35 1/2	55	...	80
					Hong Kong Gas	...	...	...	...	White Horse Distillers	60 1/2	70	...	7 1/2
					House Prop. of London	...	5	...	8	Yorkshire Amal. Colls.	4 1/2	6 1/2	...	...

† Free of Income Tax.

(c) Includes tax free bonus of 2 1/2 per cent.

(b) At rate of 22 1/2 per cent. per annum.

(m) Free of Egyptian Tax. (n) For 1940 dividend was \$3.75 against \$3.50 for 1939.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1941	+ or -	1941	+ or -
B.A. and Pacific	43	Apr. 26	\$1,616,000	+ 126,000	61,195,000	+ 911,000
B.A. Gt. Southern	42	26	12,325,000	+ 91,000	95,156,000	+ 7,516,000
B.A. Western ...	42	26	11,004,000	+ 96,000	33,096,000	+ 1,259,000
Canadian Pacific	17	30	85,588,000	+ 1,618,000	62,068,000	+ 14,387,000
Central Argentine	44	May 3	12,061,000	+ 458,000	70,795,350	+ 7,190,000

† Receipts in Argentine pesos.

† Nine days.

UNIT TRUST PRICES

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

Name	May 7, 1941	Name	May 7, 1941	Name	May 7, 1941
Second Bnt. Inv.	18/6 bid	Nationl D.	9 1/4-10 1/4	Key. Gold.	7/10-9 1/4
New British Inv.	12/7 1/2 bid	Century	10/10-12/7 1/2	Br. Ind. 4th	10/10-12/7 1/2
Bk. - Insur.	7 1/4-8 1/4 bid	Scottish	9/3-10/3 bid	Elec. Inds.	12/10-14/3
Insurance	14/3-15/9	Univ. 2nd	11/9-13/6	Met. & Min.	9/10-11/3 bid
Bank	15/0-16/9	Inv. Flex.	8/9-10/-	Cum. Inv.	15/6-16/9 bid
Scottish	10/9-11/9	Key. Flex.	11/7 1/2-12/7 1/2	Producers	15/6-16/9 bid
		Key. Cons.	9/1 1/2-10/7 1/2	Dom. 2nd	4/8-5/8 bid
			8/6-10/6	Orthodox	7/8

* Free of commission and stamp duty.

BRITISH WHOLESALE PRICES

	Apr. 29, 1941	May 6, 1941		Apr. 29, 1941	May 6, 1941
CEREALS AND MEAT			COTTON—continued.		
GRAIN, etc.			Cloth, 36 in. Strappings, 75 yds., 19 x 19, 32's & 40's	s. d. 38 0	s. d. 38 0
Wheat	s. d.	s. d.	38 in. ditto, 38 yds., 18 x 16, 10 lb.	14 2	14 2
No. 1, N. Mt. 496 lb. f.o.b. Mont.	32 0	32 1 1/2	39 in. ditto, 37 1/2 yds., 16 x 16, 8 1/2 lb.	13 1	13 1
Eng. Gaz. av. per cwt. (e)	14 7	14 7	FLAX (per ton)—	£ s. d.	£ s. d.
Flour, per 280 lb.	25 6	25 6	Livorno ZK	Nom.	Nom.
Straights, d/d London	18 4	18 7	Bernau HD	Nom.	Nom.
Barley, Eng. Gaz. av., per cwt. (e)	15 1	15 1	HEMP (per ton)—Manilla, spot J2	26 0 0	26 0 0
Oats (e)	10 6	10 6	JUTE (per ton)—		
Maize, La Plata, 480 lb., f.o.b.	15 6	15 6	Dalsee 2/3, c.i.f. Dundee, Nov.-Dec. (new)	29 10 0	29 10 0
MEAT —Beef, per lb. —			Common 8 lb. cops. (per spindle)	4 4	4 4
English long sides	4 8	4 8	104/40 Hessians, per yd.	0 6	0 6
Imported hinds	5 0	5 4	8/40 Hessians, per yd.	0 4 0	0 4 0
Mutton, per 8 lb.—English	4 4	4 4	SISAL (per ton)—African, May- July—No. 1	£ s. d.	£ s. d.
Imported	8 0	8 0	26 0	26 0	26 0
Pork, English, per 8 lb.	8 0	8 0	WOOL (per lb.)—		
BACON (per cwt.)—Wiltshire, cut side	125 6	125 6	Livorno wetters, washed	19 1/2	19 1/2
HAMS (per cwt.)—Green	131 6	131 6	Selected blackfaced, greasy	14 14	14 14
OTHER FOODS			Australian scrd fleece, 70's ..	37 37	37 37
BUTTER (per cwt.)—All Grades	143 0	143 0	Cape scrd. average snow white	39 1/2	39 1/2
CHEESE (per cwt.)—			N. Z. scrd. 2nd pieces, 50-56's ..	24 24	24 24
Home Produced	99 2	99 2	Top—		
Imported	99 2	99 2	64's warp	45 45	45 45
COCOA (per cwt.)—			66's super carded	39 39	39 39
Accra, g.f.	45 0	45 0	48's average carded	31 31	31 31
Granada	Nom.	Nom.	44's prepared	29 1/2	29 1/2
COFFEE (per cwt.)—			MINERALS		
Santos sup.r. c. & f.	Nom.	Nom.	COAL (per ton)—		
Costa Rica, medium to good ..	145 0	150 0	Welsh, best Admiralty	31 7 1/2	31 7 1/2
EGGS (per 120)—English	25 0	25 0	Durham, best gas, f.o.b. Tyne	32 4	32 4
LARD (per cwt.)—Imported	64 0	64 0	27 0 1/2	27 0 1/2	27 0 1/2
POTATOES (per cwt.)—			IRON AND STEEL (per ton)—		
English	7 0	7 0	Pig, Cleveland No. 3, d/d	128 0	128 0
Centrifugals, 96", prpt. shipm.	9 0	10 0	Bar, Mildsteel	312 6	312 6
c.i.f. U.K./Cont.	7 6	7 6	Steel rails, heavy	290 6	290 6
REFINED LONDON —			Tinplates (home, i.c. 14 x 20)	29 9	29 9
Granulated, 2 cwt. bags	40 6	40 6	NON-FERROUS METALS (per ton)—		
Granulated, 2 cwt. bags, domestic consumption	31 2	31 2	Copper (c)—Electrolytic	62 0 0	62 0 0
West India Crystallised	38 0	38 0	Tin—Standard cash	269 5 0	269 5 0
TOBACCO (per lb.)—			269 10 0	269 10 0	269 10 0
Indian stemmed and un-	41 6	41 6	Three months	265 15 0	265 15 0
stemmed	0 8	0 8	265 0 0	265 0 0	265 0 0
Rhodesian, stemmed and un-	1 10	1 10	Lead (d)—Soft, foreign, cash ..	25 0 0	25 0 0
stemmed	1 0	1 0	Spelter (d)—G.O.B. spot	25 15 0	25 15 0
Rhodesian, stemmed and un-	2 2	2 2	Aluminium, ingots and bars ..	110 0 0	110 0 0
stemmed	2 2	2 2	Nickel, home delivery	190 0 0	190 0 0
TEXTILES			195 0 0	195 0 0	195 0 0
COTTON (per lb.)—			Antimony, Chinese	2 10 0	2 10 0
Raw, Mid-American	9 24	9 24	Wolfram, Empire	9 0 0	9 0 0
Giza, G.F.G.	12 05	12 05	Platinum, refined	48 0 0	48 0 0
Yarns, 32's Twist	16 81	16 81	Quicksilver	50 0 0	50 0 0
40's Twist (Egyptian)	18 12	18 12	GOLD, per fine ounce	168 0	168 0
60's Twist (Egyptian)	25 05	25 05	SILVER (per ounce)—		
Cloth, 22 in. Printers, 116 yds	s. d.	s. d.	Cash	1 11 1/2	1 11 1/2
16 x 16, 32's & 50's	26 3	26 3			

(a) & 6s. per ton net paper bags, jute sacks, charged 1s. 9d., credited 1s. 6d. on return.

(a) Including Import duty and delivery charges.

(b) Higher Poil prices in some zones.

(c) Price is at buyer's premises.

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	49 6	49 6			
CHEMICALS—					
Acid, Oxalic, net.....per ton	60 0 0	60 0 0			
Tartaric, English, less 5% lb.	s. d.	s. d.			
Ammonia, Sulphate	10 2 0	10 2 0			
Nitrate of Soda	13 10 0	13 10 0			
Potash, Sulphate	11 0 0	11 0 0			
Soda Bicarb.	5 0 0	5 0 0			
Soda Crystals	5 6 0	5 6 0			
GOPRA (per ton)—S.D. Straits, c.i.f.			12 10 0	12 10 0	12 10 0
HIDES (per lb.)—			s. d.	s. d.	s. d.
Wet salted Australia, Queensland	0 6	0 6			
Cape, J'burg Ord.	0 7 1/2	0 7 1/2			
Dry Capes, 18/20 lb.	0 6 1/2	0 6 1/2			
English & Welsh Market Hides—	0 6 1/2	0 6 1/2			
Best heavy ox and heifer.....	0 8 1/2	0 8 1/2			
LEATHER (per lb.)—					
Sole Bends, 8/14 lb.	2 0	2 0			
Shoulders	1 0	1 0			
Insole Belles	1 3 1/2	1 3 1/2			
Dressing Hides	2 6	2 6			
PETROLEUM PRODUCTS (per gal.)					
Motor Spirit, England & Wales	1 9	1 9			
(b) Kerosene, Burning Oil	0 11	0 11			
Vaporising Oil	0 11 1/2	0 11 1/2			
Automotive gas oil, in bulk, ex road tank waggon	1 6 1/2	1 6 1/2			
Fuel oil, in bulk, ex instal. Thames	0 7 1/2	0 7 1/2			
Furnace	0 7 1/2	0 7 1/2			
Diesel	0 8 1/2	0 8 1/2			
ROSIN (per ton)—American			25 0 0	25 0 0	25 0 0
RUBBER (per lb.)—			30 0 0	30 0 0	30 0 0
st. ribbed smoked sheet	1 2 1/2	1 2 1/2			
SHELLAC (per cwt.)—TN Orange			102 10 0	102 10 0	102 10 0
TALLOW (per cwt.)—London Town ..			22 10	22 10	22 10
VEGETABLE OILS (per ton net)—					
Linseed, raw	41 10 0	41 10 0			
Rape, crude	44 5 0	44 5 0			
Cotton-seed, crude	31 2 1/2	31 2 1/2			
Coconut, crude	28 2 1/2	28 2 1/2			
Palm	20 15 0	20 15 0			
Oil Cakes, Linseed, Indian ..	7 15 0	7 15 0			
Oil Seeds, Linseed	11 15 0	11 15 0			
La Plata (new)	18 11 3	18 11 3			
Calcutta	18 11 3	18 11 3			

COMMODITY AND INDUSTRY NEWS

The agreement between the Ministry of Supply and the Rubber Trade Association, whereby the Rubber Controller is to become the sole importer of rubber into this country, is discussed more fully on page 632. The market was in a state of uncertainty while discussions were proceeding, and little business was done—on Monday no prices were quoted. On Wednesday, spot closed at 14d. per lb., compared with 14½d. a week before. While prices in general in this country have shown little or no change, in America, Moody's daily index of staple commodity prices (December 31, 1931=100) rose from 185.8 on April 29th to 190.3 on May 6th.

Quicksilver Prices and Supplies.—The Control of Mercury (No. 6) Order which came into force on May 3rd, amends an earlier Order by fixing maximum prices for mercury metal. Prices of mercury salts which were fixed by the earlier Order remain unchanged. The price of metal ruling on May 2nd was £48.£50 per 76 lb., and the Order prescribes maximum prices for quantities of over one bottle but less than eleven bottles, of £48 15s. per standard bottle of 76 lbs., and for larger quantities, £48, ex sellers premises in both cases. Higher prices are prescribed for lots of under one bottle and for redistilled grades. The Ministry is prepared to sell quicksilver (commercially pure virgin mercury) to buyers approved by them, in quantities of not less than eleven standard bottles; the Ministry's selling price will be £47 15s. per bottle until further notice. Applications for smaller quantities and quantities not in standard bottles of 76 lbs., and for redistilled mercury, should be made in the normal way to dealers.

Tin Statistics.—World visible tin stocks during April showed a further fall, according to Messrs. A. Strauss & Co. Ltd.'s Monthly Bulletin. Stocks on April 30th were 38,788 tons compared with 39,971 on March 31st. Deliveries in the United States were nearly 14,000 tons, compared with the high figure of 16,000 tons for March. These two high

delivery figures may offset the decrease in visible tin stocks by an increase in "invisible" stocks if, as is probable, substantial amounts have been acquired by the Metals Reserve Company in America. Stocks in this country fell by 825 tons during April, to 2,183 tons. Prices have varied but little during the week. On Wednesday standard cash was £270 5s.-£270 10s. per ton compared with £269 5s.-£269 10s. a week earlier. The three months forward price was £267 5s.-£267 10s. per ton compared with £266 15s.-£267.

Rise in Rayon Prices.—On June 1st rayon yarn prices are to be raised, the rise varying from no change to 4d. a lb. Deniers will be unchanged at 75d. per lb.; viscose yarns will rise from 53d. to 56d., and acetates and Bembergs will rise 4d. to 55d. per lb. A meeting is to be held to decide whether the rise should be extended to knitted goods.

Coffee Stocks Return.—A return of raw coffee stocks is required by the Ministry of Food from persons who held more than one ton net of raw coffee beans on April 30th. Returns must be made on a special form by May 17th, specifying net weight, country of origin and stating whether the coffee is in bond, or duty paid. Stocks of coffee in the country on the outbreak of war were in the neighbourhood of 214,000 cwt. The price has risen considerably since August 30th, 1939, when Costa Rica, medium to good, was 62s.-84s. per cwt.; on May 6th last it was 150s.-165s. A maximum retail price of 2s. 8d. per lb. was fixed by the Minister of Food on March 31st of this year, and retailers were also obliged to stock coffee at 1s. 8d. per lb.

Revision of Poultry Prices.—Prices of all poultry are to be uniform after June 16th, but different categories are to be brought into the uniform price level at different dates. The maximum prices on sales by producers to wholesalers will be 1s. 6d. per lb., on sale by wholesale, 1s. 7d. per lb., and by retail

1s. 10d. per lb. These are the prices which originally applied only to boiling fowls. From May 5th they applied to roasting chickens, geese, and poultry imported from Eire. The special price for poussins (by retail 3s. 6d. each) will be withdrawn on June 1st, and on June 16th domestic ducks will come into the uniform price scale.

Soft Fruit Prices.—The Soft Fruits (Maximum Prices) Order has been made by the Minister of Food, under which maximum prices of gooseberries, strawberries, raspberries, loganberries, blackcurrants, redcurrants and whitecurrants grown in this country are controlled. The prices for the fruit are laid down, but the dates on which they become operative will be announced later. The Order prohibits the picking of gooseberries before a date to be announced, except for "Leveller" and "Early Sulphur" varieties. Fruit preservers using more than one ton of fruit per year must in future be licensed by the Minister of Food.

★
Maximum prices for canned vegetables have been fixed, on first-hand sales and sales by wholesale and retail, by the Canned Vegetables (Maximum Prices) Order, which came into force on May 5th.

"THE ECONOMIST" SENSITIVE PRICE INDEX

	May 1, 1941	May 2, 1941	May 5, 1941	May 6, 1941	May 7, 1941
Crops.....	108.4	108.4	108.4	108.4	108.5
Raw materials.....	173.3	173.2	173.1	172.9	173.1
Complete Index.....	137.1	137.0	137.0	136.9	137.0

	Mar. 31, 1937*	Aug. 31, 1939	May 7, 1940	Apr. 7, 1941	Apr. 30, 1941
Crops.....	147.9	92.2	112.2	110.0	108.4
Raw materials.....	207.3	122.9	168.9	173.3	173.2
Complete Index.....	176.1	106.4	135.7	138.1	137.0

* Highest level reached during 1932-37 recovery.

ASHANTI GOLDFIELDS CORPORATION, LIMITED

NOTICE IS HEREBY GIVEN that an Interim Dividend (No. 89) of 22½ per cent. (less Income Tax at 10s. in the £) has this day been DECLARED on the issued Shares of the Corporation in respect of the year ending 30th September, 1941, and will be payable on and after the 27th June, 1941, to all Shareholders on the Registers on the 6th May, 1941.

THE TRANSFER BOOKS will be closed from 7th to 14th May, 1941, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board,

H. E. ASHBY, Manager & Secretary.

Temporary Registered Address:

St. Hilda's School, Bushey, HERTS.
6th May, 1941.

BIBIANI (1927) LIMITED

NOTICE IS HEREBY GIVEN that an Interim Dividend (No. 8) of 7½ per cent. (less Income Tax at 9s. in the £) has this day been DECLARED on the Capital of the Company in respect of the year ending 30th September, 1941, and will be payable on and after the 27th June, 1941, to all Shareholders on the Registers on the 6th May, 1941.

THE TRANSFER BOOKS will be closed from 7th to 14th May, 1941, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board,

H. E. ASHBY, Secretary.

Temporary Registered Address:

St. Hilda's School, Bushey, Herts.
6th May, 1941.

THE CANADIAN BANK OF COMMERCE

Incorporated in Canada 1867 with Limited Liability

Head Office: TORONTO

S. H. LOGAN, President. A. E. ARSCOTT, General Manager
Branches in CANADA, the UNITED STATES, NEWFOUNDLAND, and with other parts of the world.
CUBA and the WEST INDIES.

London Office: 2 LOMBARD STREET, E.C.3

R. B. BUCKERFIELD, Manager R. H. McDADE, Asst. Manager.

The YOKOHAMA SPECIE BANK Limited

Incorporated in Japan. Established 1880.

Subscribed and Paid-up Capital - Yen 100,000,000
Reserve Fund - " 143,400,000

Head Office - YOKOHAMA

BRANCHES IN ALL PRINCIPAL PARTS OF THE WORLD
London Office: 7 BISHOPSGATE, E.C.2 H. KANO, London Manager

CANADIAN PACIFIC RAILWAY COMPANY (incorporated in Canada with limited liability). CANADIAN PACIFIC RAILWAY FOUR PER CENT. CONSOLIDATED DEBENTURE STOCK. NEW BRUNSWICK RAILWAY FOUR PER CENT. DEBENTURE STOCK. CALGARY AND EDMONTON RAILWAY FOUR PER CENT. DEBENTURE STOCK. ATLANTIC AND NORTH-WEST RAILWAY FOUR PER CENT. FIRST MORTGAGE REDEEMABLE DEBENTURE STOCK. In preparation for the payment of the half-yearly interest payable on the 1st July next, on the above Stocks, the transfer books will be closed on May 24th and will be re-opened on July 2nd. F. J. WHIDDETT, Deputy Secretary, 8 Waterloo Place, Pall Mall, London, S.W. 1, 6th May, 1941.

THE ECONOMIST

Vol. CXL

MAY 17, 1941

No. 5099

CONTENTS

LEADING ARTICLES

	PAGE
The Post-War Boom	645
Madrid and Vichy	647
Recruits for Industry	648
Union Now with America?	649

NOTES OF THE WEEK

	PAGE
The First Arrival	651
Minister for Production	652
Bombs and Bombing	652
The Monthly Toll	652
Quiet in Africa	653
"Stabilisation" in Iraq	653
Stalin at Work	653
Civil Defence	653
A Pool of Merchant Seamen	654
Speculation in Foodstuffs	654
Essential Work	654
Concentration in the Press	654
Motors and Motives	654
Permits for Cars	655
Parents' Remittances	655
Diplomacy Under Fire	655

THE WORLD OVERSEAS

	PAGE
The Atlantic Islands	656
South America's Industrialisation	656

THE WORLD OVERSEAS—cont.

	PAGE
Italy and War	657
"New Order" in Poland	657
The Hyde Park Pact	658
Anniversary in the Low Countries	658
German Europe	659

THE BUSINESS WORLD

LEADING ARTICLE

German War Organisation	660
-------------------------------	-----

FINANCE AND BANKING

More Bills for the Market	661
Telegraphic versus Mail Transfers	661
Tightening Exchange Control	662
Screens	662
British Banks in Iraq	662
Recovery in Chinese Dollar	662

INVESTMENT

British Assets in U.S.A.	662
Unit Trust Restrictions	662
Stewarts and Lloyds Progress	663

INVESTMENT—cont.

	PAGE
J. and P. Coats Outlook	663
Record Dunlop Profit	664
No Unilever Dividend	664
De Beers Investments	664
Babcock and Wilcox Dividend	664
Maintained	664
British Electric Traction	664
THE STOCK EXCHANGES	665
CAPITAL ISSUES	665
SHORTER COMMENTS	673

INDUSTRY AND TRADE

Committee on Retail Trade	665
Control of Storage Facilities	665
Scrap	666
America's Growing Munition	666
Capacity	666
Tin Under Discussion	666
Lead Supplies	666
Firmer Oil Markets	671
COMMODITY AND INDUSTRY NEWS	671

COMPANY MEETINGS

CURRENT STATISTICS

The Post-War Boom

IN the short time that he has been in office, Captain Oliver Lyttelton has already shown that he is not afraid of ideas just because they are new or big. In the concentration of industry he is tackling a necessary job of appalling difficulty and complexity. An announcement made this week (and discussed in a Note on page 665) shows that, if he is not yet ready to begin on the still more difficult and complex task of concentrating retail trade, he is not running away from the problem. And in a speech delivered a week ago, Captain Lyttelton showed that his mind is not wholly occupied by wartime problems. It would be wrong to give the impression that Captain Lyttelton's speech was entirely devoted to post-war problems. On the contrary, he essayed a defence of the Government's existing economic policy, though he was not very successful in the uphill task of proving that it is "coherent, comprehensive and comprehensible." But the passages of the speech which have rightly attracted the greatest volume of attention were those in which, for the first time, he sketched the first vague outlines of an economic policy for the years immediately after the fighting comes to an end. Captain Lyttelton revealed that he had set up in the Board of Trade a special section under Sir Charles Innes, charged with studying the problems "of the first two or three years," and he made it clear that, in his opinion, the solution would have to be found in a continuance for that period of many of the wartime controls.

The War Office is proverbially prepared to win the last war; Captain Lyttelton's remarks give some assurance that the Board of Trade is not preparing to win the last peace, which would be a mistake almost as catastrophic. Actually, there are many misconceptions about Armistice economics, as exemplified by the ex-

perience of twenty-five years ago. There would, for example, be fairly general assent to the proposition that post-war unemployment had its origin in the demobilisation of men from the armies and the munition factories; the general belief is that peacetime industry was never able to absorb the millions set free by the end of the war. It is, of course, true that the chronic unemployment of the twenties (and even of the thirties) was a by-product of the war; if there had been no war, there would have been very much less unemployment. But the causation is indirect; and in the popular memory there is some foreshortening of events. It is certainly not true that mass unemployment arose out of demobilisation. The demobilisation crisis was met and mastered in the spring of 1919. An out-of-work donation was provided for men and women demobilised from the services and from munition industry, and for two months, March and April, the numbers drawing the donation just exceeded the million mark. But for two months only; by October, when the civilian donation ceased, the numbers had fallen to less than half a million. The unemployment percentage was 6.6 per cent. in December 1919 and in the middle of 1920 it fell to very low figures. It was not until the early months of 1921 that really severe unemployment—as the term came to be understood in the following years—put in its appearance; and by that time demobilisation had long been complete.

This history is worth remembering, for, if it can be taken as any sort of precedent, it shows that the immediately post-war problem is not that of finding work for the soldiers and the munition workers. Last time, the process of re-transfer very largely solved itself—indeed, there was a labour shortage in the first two years after the Armistice. The problem is rather one of seeing that

To the fulfilment of the German plan there are apparently only two major obstacles—Marshal Pétain and General Franco. On their strength of will and integrity the Franco-Spanish front depends. By their tenacious resistance until now—Hitler's campaign was already at pressure in October, 1940—they have proved their deep distaste for a policy of co-operation, Marshal Pétain because it offends his honourable scruples over the strict letter of the armistice, General Franco because his people are beset by famine and plague, and a further war would crown their misery. Yet the external and internal pressure on these two men is overpowering. Within, the whisperers, the intriguers, the quislings, the ambitious, the venal are gathered together into one great cabal against the policy of resistance. Economic necessity and military force reinforce the internal disintegration. It is hard to imagine how two men, one aged, the other alone, can resist Germany's "bloodless offensive" much longer.

There are signs that one at least of them has failed. Complete agreement has been announced from Vichy on the policy of collaboration with Germany, negotiated by the French quislings, Darlan and De Brinon. The economic benefits to Vichy have already been published. The *quid pro quo* remains secret—for obvious reasons—but it probably covers such matters as political and military

concessions in Syria and the North African Colonies, and it may even include provision for the "joint use" of the French Fleet. If this is so, it can be truly said that never have so few men brought so great a country so low. But if the will to resistance in Vichy is exhausted there are signs that General Franco is continuing his determined stand. The recent "purge" has removed Falangist enthusiasts from key positions in the Home Office and the Army and their place has been taken by army men after Franco's own heart.

The balance remains desperately precarious, and it is difficult to see how, at the present juncture, any British action can influence the choice that lies before the leaders of France and Spain. What can be done by propaganda and economic assistance is already being done. American diplomacy is active, especially at Vichy, and the probability that the United States will intervene is far more impressive than any credit or "cultural exchange." Fundamentally, Vichy France and Spain, like every other smaller Power in this battle of the Titans, are waiting to see which side will win. Even the most steadfast leader would prefer to come to terms, if a Nazi victory were certain. It follows that the only effective British propaganda lies in successful warfare. The fate of France and Spain will be decided on battlefields as distant as Suez and Baghdad.

Recruits for Industry

THERE is one marked difference between the last war and this. The recruiting campaigns of 1914-18 were for the Army. This time they must be for Industry. It is impossible to match the enemy in numbers on the battlefield, and in the factory, too, there is a wide gap. Men can only be called up as equipment is made available; and in German Europe the enemy can impress six or seven times more workers—of varying quality and willingness—for his war effort. Only in British and American factories, taken together and mobilised for war, can that effort be surpassed. The main immediate problem is to draft every available man and woman into war production.

This is not simply a question of Compulsion *v.* Volunteering. It is a question of Recruitment. Compulsion may in the end be required to staff the war factories fully, and especially to bring in the millions of women who will be needed. But the present policy is to use voluntary means, and a chief doubt is whether this method is being used to the best effect. Broadly, so long as the voluntary principle is retained, the aim is to create the conditions in which the required numbers of men and women will choose war work, to entice the unemployed and unoccupied into war factories, and to persuade those in work to transfer from their civilian and non-essential jobs. The opportunities for civilian employment have been deliberately cut down by the limitation of supplies to civilian industries and by the concentration of their reduced output in a few nucleus factories working full time. By the autumn, some hundreds of thousands of civilian workers will have been set free.

In itself, however, this process of "slimming" cannot solve the problem. There are large sectors of employment in distribution and the clerical and service trades which it is extremely difficult to cut down by conscious plan; and it is precisely from these occupations that the main body of general labour for the war factories must eventually come. They are occupations which to a considerable extent can be spared in wartime; and a programme which only seeks recruits among the unemployed, the unoccupied and the workers displaced by restrictive measures will not staff war industry on the scale required. It is, of course, true that the curtailment of civilian manufacture and the limitation of civilian supplies must lead to some falling-off in distributive, clerical and service activities; but this falling-off tends to take the form of underemployment rather than actual displacement; and it remains imperative to attract men and women still in work.

At the moment, even the unoccupied and the displaced may not go into war employment. They are available, it is true, and at the employment exchanges they will be encouraged to take up war jobs. But there is no certainty that they will choose them. In both remuneration and working conditions, jobs in civilian employment may seem more attractive. Many workers prefer to look for work themselves from advertisements or by interviews rather than at the exchanges. The fact is that, so long as there is no compulsion, the "choice" of employment must be much more heavily weighted in favour of war work than it is at present. The present approach may be described as "recruitment by registration." Certain grades of skilled labour were registered some time ago; women aged 20 and 21, and certain age-groups of men over military age have been registered recently; men with experience in coalmining are to register shortly; and there are registers of clerical, technical, scientific and professional qualifications. These lists of the resources available are indispensable; but, by themselves, they fill forms rather than jobs. The important thing is to bring men and women into touch with actual vacancies in essential employment and then to make sure that they take them. Labour registered is not labour recruited, any more than labour released is.

In theory, the call has gone out to all volunteers, in work or out of it. In practice, would-be war workers have been advised not to give up their civilian jobs hastily; and the young women and older men who have registered are not to be interviewed for war work unless they voluntarily choose it. But in wartime the staffing of essential war activities must be given priority, and by this test, the present recruiting campaign for industry has two defects: it lacks urgency; and it is not efficient. There may, of course, be shortcomings in the physical expansion of war industry which currently limit the intake of new workers. But unless the entire labour force of this country is harnessed to the war effort, success can hardly be hoped for.

By compulsion the required recruits could be enlisted. It has been claimed that, from the beginning of the war to the end of last year, workers moved into the German war industries at a rate six times faster than in this country. But there is no virtue in compulsion, and there are many drawbacks. The voluntary method could do better than it has done yet—although it cannot be disguised that a measure of compulsion would probably be needed to achieve the mass recruitment of women, who are waiting to be told where to go and what to do.

Actually, the distinction between effective recruitment by compulsory means and effective recruitment by voluntary means is not very sharp. In the one case men and women are conscripted; in the other they are presented with a set of conditions in which it is practically impossible for them to choose anything but war work; and the point is that these conditions are far from existing yet.

In the first stage of the war, the problem was to put the unemployed to work and to make the best possible use of skilled labour. The Ministry of Labour, as the employment bureau for the supply departments, set up a Munitions Labour Department and a Labour Supply Board, served locally by labour supply committees and exchange managers. The employment exchange was the centre: it was the focus of the unemployed; and by the Undertakings (Restriction on Engagement) Order of June last year, munition firms were not allowed to engage or seek to engage any worker except through the exchanges, the object being to prevent poaching or counterbidding between firms for rare craftsmen. Advertising vacancies in munition work was forbidden.

Now the position has changed. It is no longer simply a question of the workless and the skilled artisans; it is the mass of the workers that it is sought to enlist now, men and women in work, who may often have little knowledge of the exchanges and who have no special skills. The general demand for munitions labour has been well publicised, but under existing arrangements many of these workers will never know of the actual jobs available and their conditions. It is very doubtful whether the prohibition on advertising, which was intended to protect skilled labour, is appropriate in these conditions; these are not craftsmen; and, in any case, it is now possible, by means of the Essential Work

Order, to prevent skilled men from being stolen and moving away. As it is, firms on war work are the only ones who cannot advertise, and most workers who are not in touch with the exchanges, where the details of war jobs are exclusively kept, will tend to take up the civilian employment they do see advertised. At present they simply do not know what actual jobs are open or how suitable they may be. They may be "released"; they may even be registered; they are certainly exhorted. But they remain ignorant.

A remedy for this is, obviously, better propaganda: not simply the general appeals already put out by the Ministry nationally, but also local appeals by local employers for local labour. In addition to the exchanges, often remote and dingy, recruiting centres are needed—with drums and bands and speeches—set in busy shops, in cinemas and eating places. Even in Germany compulsion is supplemented and labour guided by local advertisement. Advertisement would not solve the problem. It would hardly be possible, for instance, for firms and propagandists to call specifically on, say, shop-assistants, domestic servants and typists to transfer to this or that particular war job, so long as the impression remains which the Government has given, in connection with the registration of women, that in general those kinds of workers should "stay put." Nor would it be easy for the industrial equivalent of the recruiting sergeant to lay stress on the attractiveness of the employment offered, so long as wages and welfare conditions may well be unsatisfactory. The solution is simple: to tell people what they're wanted for; and to make the essential jobs worth taking. But, first of all, it must be made much clearer than it is that the Government really does want a vast number of recruits.

Union Now With America?

MR. CLARENCE STREIT, if not the only begetter of the Federal Union movement, is certainly its most persistent and persuasive advocate. His original proposal for "Union Now" between the democracies of America, Britain, France and the small anti-Nazi States of Europe is necessarily in cold storage at least for the duration of the war. But in a new book, which has recently been published in America and of which the English edition is shortly to appear, he adapts the basic idea to the exigencies of wartime, and by doing so gives it a new urgency. The proposal is for "Union Now With Britain," as a means first of winning the war and thereafter of ensuring the peace. The nations of the British Commonwealth and the United States would enter into an immediate Federal Union. Each of them would surrender to a joint authority certain defined powers, including all those bearing upon war and peace. This joint authority, however—and this is the essential element of Mr. Streit's proposals—would not be a delegacy of the Governments; it would be elected by the peoples. It would have a legislature of two houses, one elected on a population basis—that is, containing a majority of Americans—the other composed of representatives in equal numbers of the independent States entering into the compact—that is, with a British majority. There would also be a joint executive, elected by some means other than by vote of the legislature, and a Supreme Court appointed to act as guardian of the federal Constitution. In brief, the proposal is that Britain and America should form a federation with a constitution of the American type. The resemblance, it is true, would not be absolute; the federation would have more restricted powers than the present American Union possesses, and there would be greater variety (for example, as between republicanism and monarchy) among the member States. But the two basic ideas of the Philadelphia Constitution would be faithfully reproduced: both the Federal and the State Governments would equally draw

their powers from the people, neither therefore being able to displace the other from its appointed sphere; and within the Federal Government itself there would be a similar division of powers between legislature, executive and judiciary.

Union of the American and British democracies—reunion, it could more aptly be called—is a very high and noble ideal. Indeed, it is not merely an ideal, it is the ideal; and it is not merely the ideal, it is the attainable objective for practical politics—the great political aim of this century. All through the decade of the thirties, civilisation was retreating before its enemies and crashing to an apparently inevitable end. In that dreadful summer of 1940, the ordeal of this generation reached its stark culmination. We have been forced back to barbarism to defend civilisation; we have had to risk all to ensure security; we have had to plan wickedness in order to win righteousness. But out of this pain and degradation has been born the great redeeming hope of new comradeship and unity between the two halves of the great Atlantic Commonwealth. It has taken the horrors of these past twelve months to conquer pride at one side of the ocean and prejudice at the other. And nothing less than permanent, real and active friendship between the two peoples will be enough to compensate for the sufferings that have been endured and those that are still to come.

British-American unity is, indeed, a necessity, both for the defence of civilisation and for its further progress. When faced with the ultimate perils, the two peoples recognise and proclaim (what they have always known in their hearts) that their aims in the world are at one, that their strengths are interdependent, that their antipathies and revulsions are the same. Now that both peoples have seen the dangers, to which one was blind while the other was indifferent, now that both have recognised that the perils can only be surmounted together, surely it is inconceivable that they should be allowed to drift apart once the immediate urgency has passed? If that is to

happen, then the war will have been fought in vain. The best that could then be hoped would be that America will be able to rescue Britain in the next war; the worst, and most probable, would be that she will not be in time. If Atlantic unity alone can win the war, Atlantic disunity can easily lose the peace.

Fear is reinforced by hope. Democracy, as developed in the English-speaking countries, has its grievous faults. But at least it is the only system of government now visible to the eyes of humanity that strives after decency, freedom and toleration, that believes in the dignity of the individual, that has intimations of immortality. We can rightly claim that the future of human progress is wrapped up in its survival—not because it is the only possible form of perfection, but because only through its survival can the negation of progress be averted. Britain and America share equally in this achievement. Each has contributed part of its peculiar quality. As Mrs Alice Duer Miller puts it in her very moving poem "The White Cliffs"

And were they not English, our forefathers, never more
English than when they shook the dust of her sod
From their feet forever, angrily seeking a shore
Where in his own way a man might worship his God.
Never more English than when they dared to be
Rebels against her—that stern intractable sense
Of that which no man can stomach and still be free,
Writing: "When in the course of human events . . ."
Writing it out so that all the world could see
Whence came the powers of all just governments.
The tree of Liberty grew and changed and spread,
But the seed was English.

This is the dream which the two nations, if they are not to betray their destiny, must now unite to further—the great dream of a Free Peace, a peace not of the sword but of consent.

"Reunion Now" thus covers the greatest political mission that any peoples have ever been given. There can be no question that the Declaration of Independence was of direct benefit to the American people. It can be argued that it has been of advantage to the British people in the past century and a half. But for the civilised world, it was a disaster the price of which has already been two world wars. The task now is to repair it, to replace the unilateral Declaration of Independence with a mutual Declaration of Interdependence. Nor can reunion be dismissed as an idle dream. Union was offered to France in all solemnity in the dreadful days of last June, and if complete Anglo-French Union, with its no smaller difficulties and its far smaller rewards, was a practical proposition, some degree at least of Anglo-American unity cannot be impossible. Nothing prevents it save men's ideas, and they are changing fast.

In any such movement towards reunion, both countries will have to make sacrifices. And the British sacrifice must be to recognise that we are the weaker, and the less numerous partner. This does not mean that Britain's day as a Great Power is over or that her strength and spirit are on the decline—the events of 1940 mock the very idea. Because of her exposed position, the initiative may well rest with her for decades to come. But the ultimate decision must rest with the ultimate power, and that, increasingly, lies over the oceans. If the British people have not lost their political wisdom, they will neither blink this fact nor cavil at it.

The Aim and the Method.

The case for "Reunion Now" has been stated at this length, partly because of its supreme and urgent importance, but partly also to prevent any misunderstanding when the point is made that Mr Streit's proposal is utterly impracticable, and that the degree of support it has won is more a cause for alarm than for gratification. Unfortunately, it will be difficult to set out the compelling reasons for this view without running some risk of giving offence in America. These reasons add up to the fact that a written constitution, a federal constitution, a constitution that enshrines the division of powers, would run flatly counter to all British experience and habits

of thought, and might well leave this island in a more dangerous and exposed position than ever, as the outward limb of a paralysed body, the prow of a rudderless ship. Americans, who are ready to debunk everything else, never criticise their Constitution, and the British view will be hard for them to understand. But the point must be made, and made clearly, lest irreparable misunderstanding follow.

The fundamental principle of the American Constitution is that of checks and balances. It springs from a double distrust of government—first, of all government as tending to encroach on the rights of the individual; and secondly, of the federal government as tending to encroach on the rights of the States. Accordingly, a system was erected which puts the maximum of negative powers in the hands of minorities. The American Constitution was deliberately designed (it is hardly an exaggeration to say) to make it difficult for anybody to do anything. There is a premium on opposition (a clearer example could hardly be wanted than that which is under our eyes), and there are twenty chances of saying No to every one of saying Yes. Moreover, the system makes true leadership difficult. In Great Britain, when the Government decides on its policy, more than half the members of Parliament are pledged to expound and defend it in their speeches, in their writings, in all their contacts with the electorate. Popular consent is needed in Britain as in America, but here the dice are loaded in the Government's favour, there in the Opposition's.

It is not for an Englishman to express an opinion on the suitability of the American constitutional system for America's domestic needs. But when it is proposed to project the same system on to the international plane, and to apply it, not to a union of contiguous States with many more interests in common than at issue, but to two nations of very different structures and geographical positions—albeit with a common tradition and a common purpose—then the Englishman can legitimately raise his protest. The objection is not to the placing of limitations on the power of the Government—still less of a joint British-American Government; there can, and should, be such limitations—indeed, that is the difference between democracy and totalitarianism. There is also no insuperable objection to putting the limitations on paper—though the English tradition would rather trust in "that stern intractable sense of that which no man can stomach and still be free." But when the proper province of the state has been marked off, Government must be free to act within it with decision, promptness, courage, consistency and forethought. How else can a successful diplomacy be pursued against the crafty schemers of less scrupulous Chancelleries? How else can forethought be employed to accumulate sufficient power behind the forces of decency, and sufficient decision be summoned up to use it at the right moment?

The Negative Principle.

The task of democratic Government is difficult enough in any case. Mr Churchill, speaking in the House of Commons this month, asked if it was realised

how strong the negative principle is in the constitution and work of the British war-making machine. The difficulty is not to have more brakes put on the wheel. The difficulty is to get more impetus and force behind it. At one moment we are asked to emulate the Germans in their audacity and vigour and the next moment the Prime Minister is being assisted by being surrounded by a number of "No" men to resist him at every point and prevent him from making anything in the nature of a speedy, rapid, and, above all, positive constructive decision.

If that is the present state of affairs under the British Constitution, which is both centralised and unitary—at a time, moreover, when the legislative powers of the Government are unlimited—can it really be proposed that the great issues of State should be put in the hands of an authority which would be infinitely more inhibited by the negative principle? It is no answer to say that

British Governments do not always show foresight or courage. There is always the risk of Baldwinism—but the point is that a British Government is not prevented from showing foresight or courage; within living memory there have been several Governments that showed both qualities. But the past eight years have given an almost perfect example of the prohibitions that the American system of the division of powers imposes. Mr. Roosevelt has been a "stronger" President than any of his predecessors in modern times; there is no doubt that he has seen the crisis of civilisation coming a long way off, or that he would have the courage to act decisively if it rested with him alone. But, for all that, America has met the crisis less prepared, materially and spiritually, than Baldwinian England; and she has not yet fully made up her mind to act. Let it be repeated that this is not said in criticism or in reproach, but merely by way of supporting evidence for the belief that, whatever may be true of America, Britain in her exposed position cannot afford to accept any more checks and balances to a democratic Government's powers of decisive action.

If the dilemma were posed of union on Mr Streit's terms or no union at all, then the choice would indeed be a hard one. But there is no real reason to believe that this is the choice. A generation ago exactly the same false dilemma was posed among the British nations themselves. In the last war, the air was thick with plans of Imperial Federation and there were many who could see in this the only alternative to a steady drifting apart of the nations that had been drawn together in the comradeship of war. But it was not so. Paper schemes of federation were decisively and unanimously rejected. Indeed, it was not until the last tenuous bonds of obligation were deliberately snapped that the idea of Commonwealth reached its fulfilment—and we are seeing to-day that the unity is all the more real for being less formal. Britain can claim that her Commonwealth of Nations is the only union of fully free and wholly sovereign States that has ever worked in a crisis—and its constitution is a denial of all mutual obligations between the members, save only understanding and loyalty.

It is for these reasons that the order of ideas represented by Mr. Streit's book is to be deplored. It is not that the object is unacceptable—quite the contrary: there is nothing in public affairs more worth working and fighting for than the closest possible unity of the British and American States and peoples. It is not that, in the face of the need for unity, there would be any clinging to narrow national sovereignties for their own sake. It is because the method that Mr. Streit proposes would defeat his

own object. His Federal Congress would merely add the certainty of constant bickering on small issues to the difficulties of securing common action on large. It would add the political manoeuvres of one house against another, and of both against the executive, to the difficult enough task of mutual understanding. Rather than ensuring that both nations should act together, it would ensure for most of the time that neither could act at all.

What, then, is the road to unity, if this is a blind alley? It lies not through the grandiose planning of an Anglo-American Federation, but in the much more gradual and difficult creation of an Atlantic Commonwealth. Constitution-building, after all, is a delusion and a distraction. It concentrates thought on the machinery of politics, while all the time hard and continuous thought is needed on the policies themselves. This meeting of minds is not easy to secure, nor even the creation of conditions in which it is possible. One line of action, however, will certainly be beneficial—the fostering of the greatest possible interchange of personal contacts. There should be, after the war, a scheme of financial assistance, provided by the two Governments, for any citizen of one nation who will visit the other, not as a tripper but as a serious student—the assistance might well take the form of very cheap ocean passages. There should be a doubling and redoubling of institutions such as the Rhodes Scholarships and the Commonwealth Fund Fellowships. As between the Governments, too, there should be an effort to build up a continuous traffic of men and ideas. The Ambassadorship in Washington should never again be held by any but a member of the Cabinet; and the precedent that is growing up in wartime, whereby nearly every British Government Department has one of its senior officials continuously in Washington (with an only slightly smaller concentration of American talent in London), should be faithfully followed in peacetime. By this means there would, in time, be no front-rank politician or leading Civil Servant in either country who had not had first-hand contact with the problems of the other. It is by means such as these, widely practised and steadily continued, that mutual trust and understanding can be built up. The method is less spectacular, but more likely to be productive.

What is required of the two nations is a full recognition of their fundamental unity of purpose, the establishment and maintenance of continuous mutual contact, the creation of confidence through knowledge and frankness, the instinctive assimilation of loyalties. These are difficult aims; but if they are achieved, formal constitutions will not be needed; and if they are not achieved, no paper document, however venerable, will bring agreement out of dissent.

NOTES OF THE WEEK

The First Arrival

We are grateful to Rudolf Hess. In a war in which the chief characteristic of the enemy has been iron efficiency and ruthless planning, Hess has provided the first genuinely romantic episode. The Fuehrer's deputy taking off alone in a plane, the parachute descent in the fields of Scotland, in a kindly ploughman, the final visit of confirmation by a Foreign Office official flown by special plane to Glasgow—all this has the genuine movement and excitement of the best thrillers—a *Thirty-Nine Steps* or a *Greenmantle*. Why did Hess undertake this astonishing journey? We have been fed so long upon "internal collapse," "dissent between the German leaders," "crippling rivalries," and the rest, that now when an incident occurs which seems to bear out the old hopeful prophecies, we feel chary of casting Hess for the rôle of rat, or of believing that the Nazi ship is sinking. Nevertheless, we can agree with the Prime Minister that the journey of Hess is evidence of a "maggot in the apple." We can be less certain of the reason for the inner disintegration. Both British and German sources are now agreed that Hess came on a peace mission. His intention was to establish contact with circles already known to him in this country and to attempt some

sort of *rapprochement*. The burning question is, of course, what kind of *rapprochement*? The Germans, seizing wildly on the only story which gives their propaganda an outlet, claim that Hess, a great but misguided patriot, flew to Britain to persuade the people to spare themselves the horrors awaiting them by driving "the Jewish murderer, Churchill" from office and coming to terms with Hitler. The British reports tally with this only in so far as they suggest that Hess wished to reach some understanding with Britain. The nature of the understanding is, naturally, quite different and remains uncertain. Some sources hint that Hess wishes to end the war in order to spare the Germans the horrors of aerial bombardment, others that the stars to which Hess—and Hitler—are addicted, prophesy disaster for the Nazi regime; again others that Hess's name, while second in the list of succession, is first on the list of liquidation, and Britain is the only country where he can hope with impunity to become the Trotsky of the German Revolution. None of these reports carry as much conviction as the interpretation of Hess's flight which links his action with the current negotiations between Germany and Russia. Germany's Left Wing, it is said, has carried the day. A far-reaching agreement of co-operation may be announced in the near future, and Hess, belonging

to the Old Guard, stands to the abandonment of anti-Bolshevism as Trotsky and Kameneff stood to the abandonment of Bolshevism. In his extremity, he has turned to Britain to plead for a "Western front," including "moderate" Germans against the new Janus-headed National Bolshevism of Moscow and Berlin. If this interpretation is correct, Hess may have come either as a genuine patriot or a Nazi stooge. That patriotism should suggest an alliance with West rather than East is plausible, even in a Nazi. But a subtle Nazi move might consist in sending Hess to Britain as a veiled threat to Russia and as a factor for disintegration between the supposed "peace lovers" and "Churchillites" in this country. The possibility of a vast Nazi "plant" must, therefore, be borne in mind. However, it need not deter the British Government from making the fullest use of Hess for propaganda to the Germans. However skilfully Goebbels may plug the "peace mission" line, nothing can reverse the first damaging denouncement of the Fuehrer's Deputy as a madman, subject to increasing delusions. British propaganda has an opportunity such as it has never enjoyed before. It must not be lost.

Minister for Production

Mr. Churchill has now indicated what Lord Beaverbrook's new work is to be. The Defence Committee of the Cabinet, of which the Prime Minister is chairman, has two tasks, the supervision of war supplies and the direction of operations; and the new Minister of State is to be deputy-chairman in regard to supply, while Mr. Attlee is deputy-chairman in regard to operations. Hitherto Mr. Churchill normally presided over both sections of the Committee, and it is not yet clear whether Lord Beaverbrook will have any more actual authority in supply matters than Mr. Attlee has in operations. But, at least as Mr. Churchill's delegate, Lord Beaverbrook's job will be to see that tanks, munitions, aircraft and all kinds of war material are forthcoming, and he will be authorised to say the deciding word on their respective urgency. In effect, he will be in day-to-day charge of war production, and it will be interesting to see how his relations develop with the Production Executive, the committee of Ministers in charge of economic departments, which was set up in January under the chairmanship of Mr. Bevin. In a recent report of the Commons' Select Committee on National Expenditure, it was commented that the changes of last January had worked as a great improvement, but that, as late as March, there were still priority difficulties; and it will be a specially congenial task for Lord Beaverbrook to enforce upon the departments these decisions about what is to be produced and in what order. By temperament, he is not likely to be patient with the failure of the departments concerned—described by the Select Committee as "too strongly buffered from outside contacts"—to respond to information and criticism; and his rôle as "referee" (Mr. Churchill's phrase) will certainly not be a passive one. It is still possible to doubt whether Lord Beaverbrook has the broad and articulated conception of economic strategy that its best direction requires. But this may not be needed. Primarily, the Minister of State will be the War Cabinet's executor in supply matters; and the strongest possible guarantee of his capacity to compel departments to work to order—and in order—is the difficulty he himself found, as a departmental head, in fitting in with less forceful people.

Bombs and Bombing

The latest German raids have underlined the lessons of recent air developments. The attack, both German and British, has increased in striking power, though distance still operates against the RAF and will continue to do so. The raids of the last week on London and Mannheim rank among the heaviest of the war so far. The defence, too, has rapidly advanced, and here the British forces, operating over a compact and more defensible area and employing a quicker ingenuity in the solution of technical problems, have a clear lead. It would be premature to say that the night raider is in sight of being beaten, though the German losses in moonlight—133 in the first eleven nights of May and thirty-three on the night of the latest raid on London—represent something not too far off a deterrent rate of loss. On dark nights, the bombers cannot find their targets so well as in moonlight; but the night-fighters still cannot find the raiders in numbers without the moon to help them.

By next winter heavy bombing at night is likely to be unprofitable. But, in any case, it is hard to believe that night bombing, by either side, can have any crucial influence on the war during the next few months. Nights will be too short, and although British raids on places such as Kiel, Brest, Hamburg and, possibly, Mannheim, like the heavy German raids on crowded ports in Britain, do appreciably influence the day-to-day conduct of the war, it is still very doubtful whether night bombing can be at all decisive. The effects of bombing on actual war activities can be repaired with notable rapidity, and can only be cumulative if the raids are more or less continuous. The effects on civilian life are more serious, but these also can be mended, and there is no sign that the will to carry on has been weakened—which is the only way in which a spiteful and destructive raid like last week's on London could acquire any military value. The opinion has been strengthened that, in the air, command of the sky in daylight and over battlefields and combat zones is likely to be the only decisive factor.

The Monthly Toll

The first announcement of shipping losses on a monthly basis is shown in the accompanying table, together with previous figures on the same basis. British, Allied and neutral ships sunk in April amounted not far short of half-a-million tons gross. High losses were expected; the April total includes 189,500 tons sunk in the Greek campaign; and it is possible that the general total may still have to be raised as further ships are posted overdue and later news comes in. Indeed, it would be difficult to understand why this statement was made only ten days after the end of the month, were it not for the fact that some authoritative statement was needed to counter a number of misunderstandings which had arisen in the course of the American talk about convoys. The American people now have something like a vested interest in British losses. But experience has shown how greatly ten-day old figures may have to be altered. Publication of the figures for the last week of March was delayed by the usual ten days; but the total for the whole month has now been given as 489,229 tons compared with the previous announcement of 394,417 tons for 28 days; and if the April total were to be revised by only half as much as the March figures were raised, the combined total for these two months will reach the disturbing

MONTHLY SHIPPING LOSSES (In gross tons)			
	British	Allied and Neutral	British, Allied and Neutral
Average Sept. 1939-April, 1940	83,900	71,000	154,900
May, 1940	75,200	173,500	248,700
June	269,800	264,100	533,900
July	290,300	115,600	405,900
August	282,400	105,100	387,500
September	307,400	128,100	435,500
October	299,400	124,200	423,600
November	299,800	69,000	368,800
December	230,300	82,900	313,200
January, 1941	205,500	100,500	306,000
February	264,500	69,500	334,000
March	326,600	162,600	489,200
April	293,100	195,000	488,100
Average May 1940-April 1941	262,000	132,500	394,500

height of over a million tons. Apart from the special circumstances of this first monthly announcement, which came at a time when all sorts of statements were being bandied about concerning the gravity, real or alleged, of the Atlantic position, it is clear that a time-lag of two or three weeks would be less misleading and would satisfy one of the declared purposes of changing from a weekly to a monthly basis. Pending revisions, the April figures do give some appreciable encouragement. The considerable proportion of the April losses due to the Greek campaign suggests that in the Battle of the Atlantic the enemy has not been able to keep up the grievous toll in March. Of course, this was to be expected when the main weight of the battle and a considerable proportion of shipping activity were for the time transferred to the Mediterranean; and in any case, by themselves, these figures of losses may give a very distorted picture, in the absence of information about the ratio of sinkings to safe arrivals and to the amount of damage caused to ships and cargoes. This, of course, is one of the reasons given by the "secrecy school" for suppressing the figures altogether. Actually, the enemy cannot be markedly aided by these announcements, and in

the present circumstances of the war, the need for the public, American as well as British, to be given all possible information is inescapable.

Quiet in Africa

It has been a quiet week in Africa, partly because of the sandstorms raging round Tobruk and Sollum. The military position is unchanged, but the number of prisoners seized in sorties and patrols is increasing steadily. The real fighting has been on the sea, where the Germans launched an unsuccessful attack on a British convoy and the Navy kept up a continuous strafing of the aerodromes at Benghazi and Derna and harassing reinforcements and supplies as they come up. To an astonishing extent, the air initiative rests with the RAF. The Axis air fleets do not seem to be making much attempt to destroy British positions by preliminary air attack. Possibly the limitations which transport and supply place on air activity have led the Germans to shepherd their resources against the day of the next lightning attack. In their strategy the bomber is above all designed to act as heavy artillery support to advancing columns, and to this may be due the onesidedness of the aerial activity above Libya, but it is difficult to see how the Germans hope to be successful in a desert attack undertaken at the height of the summer heat. In Abyssinia, the weary pursuit of the remnants of the Italian army continues. The next strong point is Amba Alagi. It is uncertain how much further the Duke of Aosta's forces can withdraw without becoming demoralised or surrounded. Their immediate aim is of course to keep pockets of resistance intact until the rains put an end to all campaigning, and they may still entertain some distant hope that, by the autumn, Germany will so have altered the balance of power in Europe that they will be reinforced and relieved. Even if the hope is vain, their continued resistance serves the purpose of diverting supplies from other fronts. Meanwhile, the Emperor Haile Selassie has re-entered his capital in triumph on the fifth anniversary of the entry of the Italian troops. It is only right that the first King to be dispossessed by the Axis should be the first King to be restored and his return is a happy omen, however remote the likelihood of restoration may seem in Europe. It cannot seem much more remote than Haile Selassie's in May, 1936. The Abyssinian empire remains at war with the Axis Powers and Haile Selassie has offered the Allies an army of seasoned fighters for us on any front.

"Stabilisation" in Iraq

The revolt in Iraq drags on. Although the British forces are in complete control at Habbaniyah and Basra and have recaptured the important desert post of Rutba, there has been no news from Baghdad, save for the false, or at least premature, report that Rashid Ali has fled. The situation is described as "stabilised," but how can a situation be stabilised while the rebels still control the capital and—even more important perhaps—the Mosul oilfields? How can a situation be stabilised when the lawful Regent is still out of the country under the protection of the Emir of Transjordan? How can a situation be stabilised while there are still at large some 20,000 Iraqi troops who have given no evidence that—whatever the opinion of the British authorities—they think "the revolt is petering out"? It is a confused and confusing situation, and the amateur strategist must be excused some bewilderment when he remembers the unanimity of military opinion on the importance of the time factor. Two weeks have passed since Rashid Ali's first appeal to Berlin, and although it is now almost certain that his coup misfired and interfered with the timing of the German plan for the Middle East, the apparent dilatoriness of Britain's counter-measures seems to be bringing the timing back to its original schedule. Von Papen is on his way to Ankara and Rashid Ali's Defence Minister, Sayid Naji Shawkat, has arrived in Turkey, ostensibly to confer with the Turks, probably to receive his marching orders from Hitler's envoy. In the meantime, the negotiations between Germany and the Vichy government are ended, and it is all too likely that "collaboration" in the Colonies, particularly in Syria, is to be the price paid for economic concessions. On the outcome of these concessions, then, the Iraqi campaign may well depend. The Germans have almost certainly demanded the use of airfields and the co-operation their use entails. If Vichy suggests there is nothing in General Dentz's history

to suggest that he will take an independent line, and the British may be faced with the predicament of letting Syria go by default or of invading it at the risk of hostilities not only with Germans but with the French. The surest way of avoiding this predicament is swift action to end the Iraqi revolt.

Stalin at Work

Those who have been speculating on the meaning of Stalin's assumption of the Premiership have had a number of pointers during the week, none of good omen. Within five weeks of the Russian signature of a Pact of Friendship with King Peter's Government, Yugoslavia, together with Norway and Belgium, have been formally deprived of Russian recognition and the Kremlin has withdrawn its diplomatic representation on the grounds that these Powers have lost their sovereignty. The move has been variously interpreted, some maintaining that Stalin was primarily concerned to coerce the British Government into a recognition of the Russian conquest of the Baltic States, others that, on the well-known principle of lightening the sleigh when wolves are in pursuit, Stalin is throwing overboard a number of embarrassments which might at some time be used by the Nazis to pick a quarrel. This interpretation is borne out by Russia's sudden and otherwise inexplicable recognition of Iraq, a country whose independence the Russians have hitherto refused to admit. Here desire to conciliate the Nazis may even be going as far as active co-operation. One of the most encouraging features in Rashid Ali's revolt has been the disapproval and reticence of the neighbouring States. To this atmosphere of ostentatious non-co-operation, Soviet Russia's recognition is a striking exception and, by their geographical position, the Russians are in a position to exercise some pressure upon Iran and, if acting in concert with Germany, very considerable pressure upon the Turks. The Russians have attempted to explain the incident away by saying that the request for recognition came from the Iraqi side and that it was a repetition, without any limiting condition, of an offer made during 1940, to which had been coupled the proviso that Russia should at the same time recognise the independence of the Arab States. The invitation very probably came from Rashid Ali. No one is more anxious for foreign recognition than the ruler of an upstart regime. The serious point is that Russia should choose a time when a Government of very doubtful legality is occupied, with Nazi backing, in a struggle against Britain, to accord it official recognition.

Civil Defence

The country's 1,400 fire services are to be transferred from local to State control. The responsible authority will be the Home Secretary (in Scotland, the Secretary for Scotland), and since the purpose of the change is to organise fire-fighting in larger units to facilitate co-ordination and mobility, the regional framework provided by the areas of the twelve defence commissioners will be used. Once again, the right step has been taken, far too late. The only way in which reforms in civil defence can be secured is by lengthy campaigns of criticism during which the faults complained of remain to plague bombed districts. In his last broadcast, Mr. Churchill paid tribute to the work done by local authorities in the bombing, but actually this praise needs qualification. In improvisation under fire and in the devotion and endurance of individual officials, there have been a host of local triumphs; but in planning, preparedness and adaptability there have been grave shortcomings. At the outset, it was inevitable that air raid precautions

The MERCANTILE BANK of INDIA

LIMITED

Head Office: 15, Gracechurch St., London, E.C.3

Branches and Agencies throughout the East

Correspondents in all parts of the World

LETTERS OF CREDIT AND DRAFTS
ISSUED

should be entrusted to the local authorities as agents; ARP is local and intimately associated with local services, and will remain so. But to entrust them also with policy and organisation has, in places, been very nearly disastrous, and nowhere more so than in firefighting. No system of local control is more variegated and anachronistic than the fire services, many of which, though jealously independent, are still no more than offshoots of the police station or the parish pump. Now, under the charge of Mr William Mabane, Parliamentary Secretary to the Ministry of Home Security, there is to be the chance to alter this; and the question whether all ARP should not be put under similar control and direction is inescapable. A private motion has been tabled in the Commons to set up a Ministry of Civil Defence, to concentrate authority for all the activities, firefighting, the warden service, shelters, evacuation and first-aid, which are now scattered among three or four Ministries—and left to the local authorities. It is not really the local authorities that are ultimately to blame for the slow, slipshod state of many of these activities; they are just not competent. What has been lacking is foresighted and vigorous direction from above and close and efficient co-operation over wide areas; and a Ministry of Civil Defence, possibly with only a small central bureau at the Home Office, but with a dozen or so well-staffed and energetic departments in the defence regions, might shore up the defence of the realm at a score of weak and vulnerable points.

A Pool of Merchant Seamen

An Essential Work Order has been applied to the merchant navy which, in effect, prevents the men already in it from leaving it and empowers national service officers to bring back members who have already left it. A Merchant Navy Reserve Pool is to be established consisting of persons qualified to be officers or ratings of the merchant navy, but for the time being not so employed. All persons who were so employed within four weeks before May 26th, the date upon which the order comes into force, automatically become members, as do also persons in the reserve whose employment ceases unless they are immediately re-engaged by the same employer. The Reserve is under the management of the Shipping Federation, and members must accept any employment or undergo any training which may be notified to them by the Federation with the approval of the "appropriate society" (one of a specified list of trade and professional unions), or by a National Service officer. Conditions of service are to be determined by the National Maritime Board, or, in the case of radio officers, by the Federation and the Radio Officers' Union. Employment may not be terminated on either side without the consent of the appropriate society, and, except for serious misconduct, with the written permission of a National Service officer. Local Appeal Boards are provided for the hearing of appeals against dismissal for serious misconduct or of grievances in respect of the National Service officer's exercise of his right to grant or refuse permission. Members of the Pool may not be engaged without the permission of the Federation and the appropriate society, and persons engaged in shipping services or in the provision of wireless transmitting apparatus, and radio officers for ships may only engage employees from the Pool. Members of the Pool may not engage themselves otherwise than as officers or ratings of the merchant navy, through the medium of the Federation. This moderate and well-safeguarded measure of compulsion is intended to secure that workers are always available to meet the requirements of shipping, and to make provision for reliefs, training and refresher courses. It is a pity that its scope could not have been widened to include men who have been out of the service for longer than four weeks.

Speculation in Foodstuffs

The exchange of statements between the Ministry of Food and the Food Price Investigation Committee of the North Midland Region is perhaps a trifle unedifying for the general public. Food speculation in war time is a serious crime, as the Ministry of Food would be the first to admit. Thus, it is somewhat difficult to understand the purpose of the statement, issued by the Parliamentary Secretary to the Ministry, to the effect that Lord Woolton considers undesirable disclosures made by the Committee regarding two cases of speculation; and that the undesirability is increased by the fact that the Ministry was contemplating judicial proceedings and that the Ministry was itself the original source of the information. The

defence of the Price Committee is to deny the fact—to submit that in one case at least there was no question of judicial proceedings being taken and that in neither case was the Ministry the original source of the information. On the question of fact, it is probable that deadlock can only be avoided by some face-saving formula regarding misunderstanding or misinterpretation. But the incident raises a more important question of principle. Suppose that the Ministry is correct in claiming that it deserves sole credit for detecting the speculation and will shortly prosecute, is there any reason in the public interest why the facts should not be published by the Price Committee? Is there any reason why the Ministry should claim a monopoly in the matter or seek to copyright its knowledge? The aim of both bodies is to eliminate food speculation, and publicity is a valuable instrument to that end. The quarrel smacks of official pettiness and should give place to an attempt to provide effective protection for the consuming public against the sharp practices that are admitted by both parties to be going on.

Essential Work

The Essential Work Order is to be applied to coal-mining and, not improbably, to building. These are bold steps. In future, in these two industries, no worker will be able to leave or be dismissed without official sanction; and, in return, every worker will be guaranteed a minimum weekly wage. It so happens that neither in mining nor in building can work be relied upon to be continuous, which means the likely risk of paying the guaranteed wage for no work. But the Essential Work Order is necessary. Miners have been drifting away from the pits ever since last year's loss of markets in Europe, and not even the current urgent demand for a 10-15 per cent higher output has stopped them. In building the trouble is poaching from one site to another. In both ways the Essential Work Order will help, and all that is needed now are purposive and effective means to bring back old workers. Appeals have had some results, but not very many. All old miners will be asked to register, which will be useful information, though it will not bring them back to the pits.

Concentration in the Press

On Tuesday, in the Commons, on the adjournment, the question was raised whether, in the national interest, the plant and labour of newspapers and periodicals should not be concentrated, and the Government's answer, in brief, was that, after careful consideration, it had been decided that such a step was neither necessary nor desirable. The suggestion that the Press should voluntarily seek ways and means of "telescoping" is a good one; but, unless it is proposed to restrict the number of newspaper readers, to cut down the number of newspapers would save little or no paper; and it would be hard to shut down any section of the Press without at any rate risking the appearance of curtailing the free expression of opinion. Supplies are already severely limited, and Captain Waterhouse argued that further release of labour, materials, factory space and plant by concentration would not be of any appreciable magnitude. Probably he somewhat overstated the case for leaving the Press alone, for which every trade can easily find reasons. If the Press can contribute further it must be prepared to do so. There are organs which are not primarily expressions of opinion at all, but rather ancillary to activities which in wartime have ceased to be significant; and in a number of cases, among women's journals, for instance, some merging for the duration of the war would be conceivable. But the amount of resources that would be released would be small. In September, 1939, 11,100 tons of paper were used weekly by newspapers and periodicals; now the figure is 3,200 tons, a reduction of 75 per cent. It is true that much less labour has been released—perhaps a quarter or a third—largely because there can be no *pro rata* reduction in the labour force, since practically the same number of people are required to print or publish a newspaper however much it may be cut down. On the labour side, of course, skilled printing operatives can be invaluable for training in war work, and the absurdity of the present position is that when these workmen are de-reserved they are swallowed up by the Forces.

Motors and Motives

There is considerable perturbation in the motor trade. The trade has been hard hit by the wartime decline in

motoring, but sympathy should not be indiscriminating, and some of the views that are at present being expressed in the trade are odd, to say the least. It is argued in one motoring journal, for instance, that since the basic petrol ration only adds up to 2½ million gallons a week, 30,000 tons or three tankers a month, any saving that could be made by cutting out joy-riding and waste would be negligible. The case for abolishing the basic ration, which is that no one then could use any petrol at all without a permit granted after ascertainment of need, is not met at all; and the possibility that, in the war context, almost every motorist's basic ration may be "waste" is just not seen. It is true, of course, that it is the job of trade representatives to speak *ex parte*—which must, incidentally, be very troublesome in a corporate State where sectarianism is made a constitutional virtue. It is understandable, for instance, when another motoring journal complains that co-operative societies are buying petrol filling stations. But for the journal to attack this development, on the ground that it might menace "price protection" after the war, because the societies might intend "working on a smaller profit ratio," is none the less pernicious. The motor trade will not help itself to regain its feet after the war by restrictive practices; nor will any other trade.

Permits for Cars

Anxious discussion is going on about the price of used cars. In March, 1939, one-year-old 8, 10 or 12 h.p. cars were sold at about 25 per cent below their original price; now one-year-old small cars are priced at 22½ per cent above their original cost. Two-year-old small cars in 1939 were sold at over 50 per cent below their original price; now two-year-old cars command their new price. The cause is, of course, the shortage of cars, since necessarily, and very rightly, no new ones are being made, but the trouble is that people who must have cars for business purposes are heavily mulcted. There is a wide opinion that Government control does not go far enough. Present prices do, admittedly, reflect the state of supply and demand, but the solution would be to restrict demand; sales could be forbidden except to buyers with permits to buy for essential purposes. And from permits to buy cars to permits to use them is only a short step. It is not perhaps probable that those who oppose any cut in the petrol ration would favour the deliberate restriction of rationing in this way; but it is absurd to maintain at one and the same time the right of every man to be a motorist and the right of every motorist to reasonable car prices. This is wartime, and there are many reasons, economic, strategic, industrial and defence, why the further physical curtailment of civilian motoring might be desirable.

Parents' Remittances

Discussion around the desirability of remitting to America and Canada sums for the support of evacuated children has now reached the "parliamentary question" stage. The matter has been raised by Mrs. J. R. Rathbone in a question to the Chancellor of the Exchequer. The proposal takes two forms: that existing exchange restrictions should be lifted in order to permit the despatch by parents of regular sums to America for the support of their own children; and for permission to create a fund in this country to be invested in Government savings for the duration, and to be given at the conclusion of hostilities either to an American charity or the New World hosts of British children. It is implicitly recognised that the contributions would in neither case compensate the American and Canadian families which have received British children, and there is good reason to believe that the sum involved would be correspondingly small—in the nature of a token thank-offering. None the less, relaxation of the present exchange restrictions, by however little, would diminish the capacity of this country to wage war. Such gold and exchange as Great Britain can muster for despatch to America must, at present, be used for the purchase of goods not within the scope of the Lease-Lend Act, and the generous impulse must be curbed for the general good. As regards the second proposal, that a fund should be created for post-war transfer and blocked for the duration, the position is rather different. The proposal is fully in tune with the requirements of war-time financial policy, requiring, as it does, extra economy in consumption. Indeed, those parents who have been relieved of the ability to provide for their children during the war have had spend-

ing power fortuitously liberated. It cannot be certain, however, that the shortage of dollars will be overcome, even after the war, and it is on this ground that the Chancellor of the Exchequer rejected the suggestion. But there is nothing to prevent parents from accumulating their own funds and hoping that it will be possible eventually to transfer them.

Diplomacy under Fire

Mr. Eden's decision to call on Sir Malcolm Robertson to prepare a report on the Diplomatic Service, will be welcomed by many critics who, arguing from the manifest weakness of British diplomacy in recent years and its apparent lack of information—illustrated by such incidents as the Rashid Ali *coup*—put the blame upon the methods of recruitment for the Foreign Office and demand that an infusion of new blood be made to weaken the aristocratic complexion of a corps which has to live and work in a world from which the traditions of aristocracy have fled. Although there is some truth in the charge of inadequacy, the actual practice of British diplomacy has probably not been as ineffectual as some critics suggest. Effective diplomacy abroad demands resolute policy at home and, ultimately, the sanction of sufficient material force. Since the last war British diplomats in the field have had behind them neither firm policy nor the promise of force to back up decisions already taken. If they are criticised on the grounds of weakness and vacillation, the charge should also be laid at the door of the Governments they have had to serve. There are, however, other scores upon which criticism is perfectly valid. If the diplomats have not been served by their Governments, neither do they appear to have served their Governments adequately in the vital sphere of information. A sound foreign policy must be based on valid premises—the political conditions in foreign countries, the economic and social significance of different groups, the influence or lack of it of the leaders—and the first duty of a diplomatist is to see that his Government is fully and exactly informed. The qualities especially needed are sound judgment, a lively interest and the power to generalise from individual instances, and these qualities on the whole depend upon education and tradition. It follows that the critics who blame the present methods of recruitment on the grounds that it is confined to candidates who have enjoyed the advantages of public school and university education are missing the real point of the problem. Diplomacy by its very nature demands such training. The present methods of recruitment surely fail because they do not ensure that the most intelligent members of the educated classes are recruited for the Diplomatic Service and to the criticism of faulty recruitment must be added criticism of a routine and a training after admission to the Foreign Office which appears to stultify whatever qualities of energy and initiative the candidate possessed on entry. In a world in which the direct business of diplomacy is and will be ever increasingly conducted by the Governments themselves, information is the vital function of the diplomatist, and he will fail if his education and tradition and diplomatic training, instead of giving him mental energy and a universal curiosity, have narrowed his mental interests to the social life of a diplomatic clique.

INSURE WITH



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

THE WORLD OVERSEAS

The Atlantic Islands

(By a Correspondent)

WITH the development of a major Atlantic front, the strategic outposts of the African continent are taking on military significance. Portuguese Madeira, the Spanish Canary Isles, sixty miles from the coast and halfway between Spain and Dakar, the Portuguese islands of Cape Verde, 350 miles west of Dakar: all these lie athwart the stream of British traffic from South Africa, Australasia and the Far East; and, in enemy hands, they could threaten Britain's commercial routes to South America. The third group of islands, the Portuguese Azores, have potentially even greater strategic importance, since they are a natural stepping-stone between the two continents, 1,000 miles out from Portugal and another 2,000 miles on to Bermuda. At Horta the American Clipper breaks its trans-Atlantic journey.

The islands are not important except by virtue of their geographical position. The Canaries are fertile, and their exports of fruit and vegetables and wine reached £5 millions in the year before the war. In return, manufactured goods, coal, iron and cement are imported. From the Cape Verde islands go coffee, oilseeds, salt and oranges in return for coal and fuel oil. The Azores import coal, timber, iron and machinery, and export butter and cheese and hides and straw hats; but none of the islands is economically of great importance, save, perhaps, for the luxury fruits, wines and vegetables of Madeira and the Canaries.

It is as pawns of war that they have achieved importance. There are good harbours in all the islands, except Madeira, where Funchal is only an open roadstead. Horta, in the Azores, has a magnificent bay with deep water and a firm sandy base for anchorage. Only a south-east wind affects the harbour and, incidentally, the Clipper anchorage. In the Canaries, Las Palmas is the third greatest port of Spain, and heads the list for tonnage cleared. It is an excellent harbour of refuge of 156 acres, 50 to 60 feet deep, protected by a 2,025-yard breakwater. At Santa Cruz, there are oil and coal bunkers and 7,300 square metres of quay space, and at St. Vincent, in the Cape Verde islands, the Porto Grande is spacious and safe, with three coaling depôts, two oil depôts and facilities for Diesel oil. The coaling station serves practically all ships going to South America. All the islands could supply seaplane bases, although the low clouds which hang over the Canaries through the summer are treacherous, and the Horta base is somewhat dependent on the direction of the wind. However, the possession of the islands would give clear strategic advantages and would, for example, facilitate the work of Axis commerce raiders.

"Preventive Protection"

Their advantages have long been recognised, and it is significant that at every crisis in Western Europe the question of their possession comes up. During the Spanish Civil War there were constant Axis accusations that Britain intended to seize the islands, and equally persistent rumours in Britain that Germany had established fuelling and submarine bases in the Canaries. Since the outbreak of war, these accusations have continued from time to time, and in recent weeks there has been such a spate of claims and counterclaims that, on May 9th, Dr. Salazar announced that the Portuguese Government had received no request or suggestion from any of the belligerents that they should "preventively occupy" the Portuguese islands and that Portuguese reinforcements had already been sent to strengthen the garrisons on the islands. His statement may very well have been provoked by one of the latest contributors to the campaign of occupation, Senator Pepper, who urged the United States to "get tough" and occupy the Azores among other strategic vantage points.

If any belligerent were determined to seize the Portu-

guese islands, it is doubtful whether Portugal disposes of sufficient force to resist them. The peacetime strength of the Portuguese army is only 2,551 officers and 26,424 men, and the navy is small—with only seven escort vessels, six destroyers, one torpedo boat, seven gunboats and three submarines. In the critical sphere of air power the Portuguese have no independent air force, and their naval flying service has only twenty-four machines.

South America's Industrialisation

[BY A CORRESPONDENT]

WARTIME difficulties in obtaining manufactured goods from Europe are leading to two main developments in South America. First, there is an increase in inter-American trading (particularly with the U.S.A.); secondly, a powerful stimulus has been given to national manufacturing industries—such as was given by the war of 1914-18—which is bound to lead to further permanent changes in South America's principal imports.

Argentina is primarily a farming country, and the lack of iron and coal militates against the development of manufacturing industries. Even so, a recently published official census of industrial activities in 1938 already showed considerable expansion over the previous census in 1935, the total annual value of production having risen to 2,417 million pesos (say £142 millions sterling) from 1,804 millions (£106 millions). A further official report, covering the electric light and power industry during 1939, showed a marked growth since 1935, total sales of electric current having risen to 248 million pesos (£14,600,000) from 193 millions (£11,300,000).

The Promise of Brazil

Industrialisation is most promising in Brazil, and already many lines of Brazilian manufactures are becoming increasingly competitive in other Latin-American markets. Brazil has already captured a large part of the cheap end of the cotton goods market in Argentina, even from Japanese competitors. Although undue optimism—particularly in view of the lack of skilled labour—may attach to Brazilian expectations that the new steel plant at Volta Redonda may make Brazil independent of imports of iron and steel within two years or so, the fact remains that the country is rich in iron ore and coal, and the site of the new plant is conveniently situated in this respect, while the output of iron and steel has already grown steadily for some years. Of the new company's authorised capital of 500,000 contos (say £6,250,000 sterling), the preference shares total 250,000 contos and are stated to have been fully subscribed by Federal Savings Banks and Pensions Institutions in Brazil, while the ordinary shares will be taken up by the Federal Government for re-issue later to the public.

Activity in Chile

The output of Chile's manufacturing industries remains very high, the average general index for 1940 showing a rise of 11 per cent over the 1939 figure, while the average index of sales of industrial products was 7 per cent higher; and there is practically no unemployment. Peru's industries had also already advanced to the extent of providing most articles of everyday use, while, as in the case of Brazil, Peru is negotiating with the U.S.A. with a view to the participation of the Export-Import Bank of Washington in

a scheme to develop the Peruvian iron and steel industry, which would require some \$20 millions. Large deposits of iron ore exist at Marcona, 250 miles south of Lima, and at Chimbote, in the north of Peru. Active steps are also being taken for the installation of a cement plant to supply the needs of Southern Peru, as well as for the establishment of a rayon industry whereby the cost of rayon goods would be reduced by about 40 per cent compared with the imported article.

Industrial development in Colombia continues to make steady progress, and expansion in this direction appears to be most marked in the Department of Antioquia. The combined capital and reserves of twenty-four of the principal industrial concerns in Medellin showed an increase during 1940 from 41,163,000 pesos to 45,171,000 pesos (say £6,400,000 sterling), with a corresponding increase in the balance-sheet valuation of their assets. The increased productive activity of the textile industry was outstanding, and textiles hitherto have been Britain's chief export to Colombia.

Italy at War

[BY A CORRESPONDENT]

GERMAN and Italian representatives have just negotiated production programmes for the current year on the basis of the trade agreement of February. There is no doubt that Germany's vastly increased share in Italy's foreign trade is making itself felt. Without German coal and steel supplies, blockaded Italy's heavy industry and railways would be at a standstill.

In agriculture, Italy is able to feed her population with cereals (with rationing), but the further reduction of the fat ration from 28 ounces per month to 14 ounces shows that Italy, too, has a "fat gap" like Germany; before the war Italy used to import roughly one quarter of her total fat consumption. The favourable sugar beet crop in 1940 made it possible to increase the monthly sugar ration from 17½ ounces to 21 ounces. Vegetable and fruit exports, on the other hand, amounted in peace-time to one quarter of her total exports; and under the new trade agreement the entire exportable surplus of fruit and vegetables will be supplied to Germany. In future, Italian fruit and vegetable growers will adjust their cultivation plans in such a way that bulk exports to Germany may start when home-grown vegetables in Germany are short. Germany will, moreover, supply the necessary plant and machinery for the preservation and drying of vegetables and fruit, which are to be exported during winter-time.

In Search of Autarky

Italy, though lacking resources of coal, iron and oil, nevertheless embarked on a programme of industrial autarky after the experience of economic sanctions in 1936. The Council for Autarky worked out the programmes, and the IRI (the Institute for Industrial Development) used State subsidies to finance a number of industries, such as electricity, steel, coal, light metals, artificial textile fibres, cellulose, synthetic rubber, engineering, and especially motor-cars and aircraft.

The output of electricity in Italy in 1940 is estimated at 17,000 million kwh against only 6,000 million kwh in 1936. Nearly 50 per cent of the railways have been electrified during the last seven years, thus reducing the import of coal. There has been hardly any increase in steel output, which amounted to 2.5 million tons in 1940 against 2.3 million tons in 1938. The Council for Autarky planned a final steel capacity of some 8 to 9 million tons, to be produced mainly from iron deposits in Albania. The total output of crude oil in Albania in 1940 is estimated at some 250,000 tons, or roughly 10 per cent. of the total supplies in 1938. Extensive resources of bauxite favoured the production of aluminium, which increased from 13,800 tons in 1935 to an estimated output of roughly 40,000 tons in 1940. The development of the production of cellulose from home-grown reed and beech wood has been equally vigorous. The manufacture of staple fibre and rayon is a leading industry in Italy, and American sources estimate that Germany and Italy accounted for roughly one-half of the world output of staple fibre.

Italian domestic supplies of non-ferrous metals are insufficient for modern war industry, but there are ample supplies of mercury, pyrites, lead and zinc. Small quan-

ties of nickel, tin and antimony, too, are mined. At present, an effort is made to increase the output of silk, and hopes are expressed that total supplies will reach 4,000 tons to be used for war purposes in Germany and Italy.

Active Industry

A number of company reports covering the year 1940 show that industrial activity increased considerably during the year. Public orders were sufficient for good employment; average profits increased; dividends were around 7 to 9 per cent; and complaints about increasing costs of production were numerous. The decree limiting dividends to 7 per cent, after the German model, caused a temporary slump in share prices.

During February and March, a new series of Treasury Bonds was issued yielding lira 18,900 millions. A year ago only lira 13,600 millions were subscribed. The disclosed Budget deficit at the end of the financial year 1940-1 amounted to lira 28,400 millions.

The system of rationing civilian consumption is not functioning as well as in Germany. A general tightening-up has been noted. In textile materials, the manufacture of a standard cloth has been decreed, and the admixture of staple fibre is fixed at 30 per cent for men's cloth and at 40 per cent for women's cloth. Stocks for the army as well as for export purposes were requisitioned; and the manufacture of standard shoes was further developed. Successive reductions in the petrol ration show that difficulties in the supply of petrol are increasing. A petrol monopoly is in preparation.

"New Order" in Poland

[FROM A POLISH CORRESPONDENT]

May 5th.

POLAND is an outstanding example of Hitler's "New Order." While the other occupied territories are still treated by the Nazis as under war occupation, Poland has been given a "permanent" administration and a new system of government corresponding with the Nazi plans for the "reconstruction" of Europe. The first step after the Polish campaign was to incorporate the regained "German" territories into the possessions of the Reich. As such were acclaimed all the territories along the former German-Polish frontier which the Nazis thought worth while taking over. The boundaries of the Polish territories fully incorporated into the Reich go far beyond any claim the Nazis ever made against Poland. They include, not only Danzig and parts of Upper Silesia, but also the whole of Pomorze, Poznan, parts of the Central Polish Voyevodships, including the city of Lodz. The border line between the incorporated territories and the "General Government" has neither historic nor ethnographic justification; most of the incorporated territories never belonged to Germany and the population is purely Polish, with the usual Jewish minority.

Indeed, the Germans have made it clear that their decision was guided mainly by economic reasons; this incorporation would give to Germany the greatest advantages during the period of occupation. The exploitation of the well-developed agricultural regions of the Pomorze and Poznan Voyevodships, the denuding of the cultivated forests of western Poland, the confiscating and taking over of the famous Polish textile industries of Lodz, Tomaszow and Bielsko, and also of the rich mines and the heavy industries of Upper Silesia:—all these could be achieved more easily by including these districts as part of the Reich.

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 \$95,000,000
Head Office: MONTREAL
H. R. Drummond, Esq., President
Major-General The Hon. S. C. Mewburn, C.M.G., W. A. Bog, Esq., Vice-Presidents
Jackson Dods, O.B.E., G. W. Spinney, General Managers
LONDON COMMITTEE: The Most Honourable The Marquess of Willington, P.C., G.C.S.I., G.C.M.G., G.C.I.E., G.B.E. (Chairman), F. R. S. Balfour, Esq., Sir Hardman Lever, Bart., K.C.B., Sir Frederick Williams-Taylor.
London Offices: 47 Threadneedle Street, E.C.2 Edward Pope, Manager
9 Waterloo Place, Pall Mall, S.W.1 J. H. Pangman, Manager
The Bank undertakes general banking business and with its numerous branches offers special facilities in Canada, Newfoundland and the United States.

The act of incorporation automatically changed the political status of the inhabitants. With the exception of the small number of the *Volksdeutsche*, they became foreigners and could be forced at any time to leave the country where they were born and their ancestors lived for centuries. A mass deportation of the population started. The first victims were the Jews, to whom the anti-Semitic Nuremberg laws were applied. By these means the Nazis acquired a considerable proportion of urban and industrial property which belonged to Jews.

This policy of deportation was later applied to the Polish population. The Nazis started a Press and radio campaign about the superiority of the German race and the "natural" right of the Germans to treat the Poles as of a lower race. This propaganda was followed by a mass deportation of Poles to the General Government and by a mass migration of German colonists from the Reich and from the Baltic States and Soviet Russia to the newly incorporated territories of their "Fatherland." Over a million people were moved from one place to another in a period of six months. Every care was taken to give to the German colonists facilities for travel and assistance in settling; Poles and Jews were deprived of the means of existence and transported in terrible conditions.

Simultaneously with the mass deportation, economic "adjustments" were carried out. A special department under the supervision of Goering's bureau for the Four-Year Plan was opened in Berlin. This department was later reorganised and incorporated in the planning organisation for the Four-Year Plan; branches were opened in Poznan, Katowice, Lodz, Gdynia, Ciechanow, Suwalki, and now they are dealing with all former Polish State property, Jewish property and the property of Poles who are absent. This department also has the right to take over all property which they find fit for German economic requirements. These "trustees" have now acquired nearly all the industrial and agricultural property and commercial businesses of the incorporated territories.

The policy is to fit the resources of Polish Silesia and the well-developed industrial areas of Western Poland into the German war economy. Concentration of production is being fully applied, and the Goering combine has taken over all the mines, furnaces and other heavy industries based upon the rich natural resources of these territories. The fact that Upper Silesia is almost 900 miles from English air bases has induced the German authorities to make the most of it. The raw materials and heavy industries of Upper Silesia and the textile industries of Upper Silesia and the textile industries of Lodz, Bielsk, Tomaszow, etc., which used to supply all Poland, are now being fully used for the German war economy. The territories outside the "incorporated" districts are deprived of any access to these resources, and if any industrial establishments were left in the General Government, they could not carry on production.

Deportation of the population was later followed up by conscription of agricultural and industrial workers for forced labour in Germany. According to figures given by official German sources, nearly three-quarters of a million Polish workers are doing forced labour in Germany, which does not include the number of several hundred thousand war prisoners also forced to do agricultural and general labour. The recruiting of forced labour battalions was easier than it might have been, because of the great poverty of the deportees and the unemployment amongst the Poles in the incorporated districts and in the General Government. Hunger is a first-class weapon in the hand of the enemy.

The Hyde Park Pact

[FROM OUR OTTAWA CORRESPONDENT]

April 29th

THE most important event of the past month has been the agreement reached at Hyde Park on April 21st between President Roosevelt and Premier Mackenzie King. It represents an effort to co-ordinate the economies of the United States and Canada for the most effective production of war materials for the purpose of aid to Britain and the defence of North America. The United States will purchase from Canada certain kinds of munitions, materials like aluminium and ships, thereby probably enlarging her purchases in the Dominion by between 200 and 300 million dollars per annum; and this increment will enable Canada

to purchase, in larger quantities, equipment and materials which she can only obtain in the United States. Mr King declared that the new economic arrangements would go a long way towards solving the acute problem which had faced Canada about American dollar exchange; but he also stated that there was little prospect of relaxing the present regulations for the conservation of foreign exchange. He gave warning that, while the agreement would increase the effectiveness of Canada's war effort and her assistance to Britain, the Canadian people must not expect that it would reduce their burdens.

Messages from London suggesting that the British Government desired a conference with all the Dominion Premiers at an early date have been responsible for an agitation, supported by influential papers like the *Toronto Globe and Mail* and the *Montreal Gazette*, that Mr. King should take the lead in urging such a conference and express his willingness to proceed to London immediately. On the opening day after the recess, Mr Hanson, the leader of the Conservative Opposition, raised the question, and argued that such a course was eminently desirable. He maintained that, if it was necessary for Mr King to have a personal conference with Mr Roosevelt, it was equally vital that he should confer face to face with Mr Churchill. Mr King contended, in reply, that his proper place was in Canada, where, when grave decisions had to be taken, he could without delay consult his Cabinet, and he stated positively that no invitation to an Imperial Conference had been issued.

Anniversary in the Low Countries

[BY A CORRESPONDENT]

May 10th

THE German invasion of the Low Countries on May 10th, 1940, marked the start of the third vital phase of the present war—the phase which closed with the collapse of France in the middle of June. By the end of May, 1940, resistance in both Holland and Belgium had come to an end; and both countries have now suffered under enemy occupation for more than eleven months. In this time, there is little doubt that the Germans have made great progress both in economic exploitation and in political control of the two countries. Both the Netherlands and Belgium are infinitely poorer than they were a year ago. Rationing is strict, designed to permit the German army of occupation to live well off the country and at the same time to provide a surplus for despatch to the Reich.

Industrial production has been drastically transformed to complement and assist the German programme of war output. Manipulation on the bourses of Amsterdam and Brussels has achieved some measure of German financial control in leading Dutch and Belgian businesses.

It would be foolish to pretend that the occupation of the Low Countries has not been inestimably useful to Germany. But there is no means of estimating how much damage to Nazi plans has been caused by passive resistance and sabotage. There is considerable evidence of the widespread lack of co-operation and dislike with which the Germans are greeted.

The fact that Germany has not succeeded in crushing the will to resist in either of these countries during the past year has markedly detracted from their power to exploit the Low Countries to the full. It is also a remarkable tribute to the national qualities of these two peoples. There is little doubt that the exodus of the two Governments to Great Britain, from where they have maintained a fighting policy and continued to throw imperial forces into the struggle against Germany, has had an important influence on the survival of resistance inside the countries.

The efforts of the lawfully constituted Governments of Holland and Belgium in this country to provide a nucleus for national resistance have provided a guarantee that the sufferings of the submerged populations will not be in vain. For this reason, the determination of the Greek Government to escape and to resist has infinite value, and the failure of the French Government to establish itself in North Africa and fight on remains the most poignant tragedy of the war.

German Europe

FRANCO-GERMAN COLLABORATION.—The terms of the recent Franco-German Agreement do not reveal the extent of industrial collaboration, which has developed on a larger scale since January, 1941. The foundations of this collaboration were laid by changed economic organisation, characterised by corporative institutions and compulsory marketing bodies in agriculture and "organisation committees" in industry, trade and finance. The distribution and allocation of industrial raw materials is also organised after the German model by the *Office Centrale de Repartition des Produits Industriels*, and the former French cartels in the heavy industries, the *Comptoir de Vente*, have been transformed by the German domination in the International Steel Cartel.

Finance, capital, prices and consumption are controlled and rationed in the same way as in Germany. The Bourse is restricted by an anti-speculation law, and dividends are limited to the highest in the three years before 1940. The *Direction des Prix*, a department of the Treasury, has enforced a price stop after the German model; but prices are still rising, a movement which is officially recognised by price advances in certain industries. Iron and steel prices, for example, have been increased by 35 per cent on the average, and maximum prices have been laid down for all agricultural products.

In occupied France, the sole authority is the German "armament inspectorate" of the "Wehrwirtschaft and Armament Department" of the German High Command. After carrying off raw materials and scarce machine tools to Germany, they set in motion the programme of collaboration with French industry. The agricultural programme is reported to have increased the acreage under winter wheat by 20 per cent and winter rye and barley by 11 per cent. Experiments in the cultivation of soya beans have begun with a view to closing the "fat gap," which is the recurring problem in nearly all the countries under German occupation.

Germany's war economy benefits directly from this industrial collaboration. Twenty French textile companies are actively collaborating in building up a cellulose industry for the manufacture of artificial textile fibres. The aluminium industry has worked out an expansion programme and the necessary electricity will be made available by rationing electric current. The latest instance of industrial collaboration is the Franco-German-Italian automobile agreement. The German Press reported that German industrial orders at the beginning of March had already reached Rm. 1,500 millions, i.e., £125 millions at the rate of Rm. 12 to the £. Unemployment in France is said to have fallen to 500,000 in March, 1941, compared with 1,059,000 in October, 1940. The transfer of workers to Germany was not very successful; the total number of French workers employed in Germany in March amounted to 36,000, mostly metal and building workers.

PROFITS AND DIVIDENDS.—A short time ago the Price Commissar empowered the price control boards to investigate profits in relation to costs of production and prices, with the purpose of ascertaining war profits. Firms and companies which had unjustified war profits were then compelled to reduce prices at once. All war profits earned up to the date of investigation are to be paid to the Treasury. This decree was followed up by a statement made by the Minister for Economic Affairs, Dr Funk, in which a general "dividend stop," similar to the price and wages stop, was foreshadowed. A slump in share prices was the result, and it was several weeks before the boom quota-tions of the beginning of March were reached again. The supplementary decree and Dr Funk's statement show that war profiteering has gone on in spite of all restrictions. The Government, having tightened up the price regulations at the end of last year, is now feeling its way towards a general restriction of dividends at about 6 per cent. The solution will probably be found by the introduction of a war profits tax.

The policy of building up disproportionately large hidden reserves after full employment was reached; the expansion of business since the war began; and the need for reducing interest rates—all these have combined to bring about a steady rise in share prices, which has

reduced the yield on share capital almost to the level of the earnings on fixed-interest bearing securities. The State dominates the capital issue market, and has prevented the use of share issues for the financing of capital expenditure. A considerable number of joint-stock companies are thus under-capitalised, which is reflected in unusually high dividends.

The big German banks, whose annual reports are now available, reflect this development and have already increased their capital or sought permission for increases.

	Rm. Millions.		Share Capital.	
	1939.	1940.	1939.	1940-41
Deutsche Bank ...	4,184	5,315	130	160
Dresdner Bank ...	3,206	4,118	150	200
Commerzbank ...	1,746	2,305	80	100
Reichskredit Gesellschaft ...	668	857	40	40
Berliner Handelsgesellschaft ...	339	400	28	28
Bank der Deutschen Arbeit ...	918	1,795	25	25

The average increase in total assets was 30 per cent; the increase in turnover ranged from 6.6 per cent to 28 per cent. Total holdings of Treasury bills increased by 94.2 per cent; holdings of Treasury bonds increased by Rm. 1,000 millions. Successive reductions in interest rates and the fall in advances led to a relative reduction in earnings. Actual earnings were only slightly higher than in 1939, and the banks easily refuted the accusation of being among the war profiteers.

The leading banks have been instrumental in expanding Germany's economic influence beyond Austria and Czechoslovakia into the occupied and dependent European countries. In Poland, Alsace-Lorraine and Luxembourg German banks have established branches. In Norway, Denmark, Holland, Belgium, and especially in the South-Eastern countries, they are working through subsidiaries. By the incorporation of the leading Viennese banks, German banks have acquired the leading position in South-Eastern Europe. Financial penetration in Holland is particularly advanced, favoured by the former close connections between the two countries.

★

STEEL.—The report for 1939-40 of the leading German steel concern, the *Vereinigte Stahlwerke A.G.*, covers twelve full months of war. There was an increase in the output of German iron ore. Coal mining remained at the level of the previous year, but coke output was higher. The output of iron and steel and rolling material was slightly smaller, which is explained by the loss of export markets. The cost of production tended to increase, but the rise was compensated by higher export prices to neutral countries. War conditions made it impossible to replace and renew plant and machinery, although there was greater wear and tear caused by longer working hours. During the first quarter of the new business year, which began on October 1, 1940, production increased; but coal output remained unchanged. Shortage of labour was overcome by rationalisation and extended training. The report of the *Krupp A.G.* shows the same features. The use of German low-grade iron ore increased cost of production, and there was a marked increase in the manufacture of locomotives. The report of the *Mannesmann Röhren Werke-Duesseldorf* report that a considerable number of blast-furnaces had been converted for the permanent use of German low-grade iron ore.

★

SCANDINAVIAN TRADE.—Scandinavian imports and exports have moved as follows:—

	Percentage Fall in value of Imports 1940 compared with 1939.	Percentage Fall in value of Exports 1940 compared with 1939.
Denmark ...	21	4
Norway (10 months) ...	24	21
Sweden ...	20	29
Finland ...	32	61

Danish exports will probably fall considerably during 1941 after the heavy slaughter of livestock in 1940. Finland suffered exceptionally from the war with Russia.

THE BUSINESS WORLD

German War Organisation

THE task in the Third Reich at war is to blend central control with local initiative, centralisation with individual enterprise. Germany's economy is directed by a General Council, set up under Field Marshal Goering at the end of 1939, which is perhaps the nearest approach there is to an Economic General Staff. Its permanent members are the heads of the "Four-Year Plan Bureaux," the "Wehrwirtschaft and Armament Department" of the High Command and the departmental chiefs of the Ministries of Agriculture, Economic Affairs, Labour, Transport, Armament and Munitions and the Interior; the Price Commissar; and one representative of the Nazi Party. This Council has no executive organs of its own. Its job is to co-ordinate economic administration, which is carried on by Commissars, Ministries and the Army economic departments.

The ordinary Ministries are dependent on the directions of the "Four-Year Plan Bureaux" and the "Wehrwirtschaft and Armament Department" of the High Command and on the co-operation of the so-called self-governing organisations in industry. The Reich Cereal Boards and the Marketing Organisations of the Ministry for Agriculture regulate agricultural production, distribution and prices. The Reich Central Boards of the Ministry for Economic Affairs control foreign trade and allocate materials to plants and factories. The Labour Ministry, working through the Trustees of Labour, controls the supply of labour. The "Four-Year Plan Bureaux" drafts plans for the expansion of productive capacity in key and substitute industries; the Ministry of Transport is responsible for railways, motor transport and shipping; and the Ministry for Armament and Munitions represents the centralisation of the armament factories proper.

The "Wehrwirtschaft and Armament Department" of the High Command may be considered the brains trust and planning centre for the entire war economy. It is the moving factor in the whole war economy, and was first established under its shorter name of "Wehrwirtschaft Department" before the inception of the Four-Year Plan. It deals with the supply and allocation of labour; development and location of productive capacity; the supply and allocation of materials; and transport facilities. This department drew up the plans for actual wartime production and trained the Army economic leaders who are to-day to be found in France, Belgium, Holland, Jugoslavia and Greece.

Production and consumption are thus planned by the "Wehrwirtschaft and Armament Department" and the "Four-Year Plan Bureaux." The execution of the plans and the day-to-day control of the economy rests with the ordinary Ministries and the special commissars. Self-governing economic organisations tend to become State organisations like the Ministries; and there is a rigid centralisation which is a constant threat to the private initiative of employers as well as workers.

All the pre-Hitler federations in agriculture, industry, trade, finance and transport and the cartels have been changed into these compulsory self-governing economic organisations. There is the Agricultural Estate, the Industry, Commerce, Finance and Public Utility Groups and the Guild Association of independent artisans. There is the Economic Chamber, with District Economic Chambers, which co-operate with the German Labour Front, the organisation for workers. These organisations, together with the Chambers of Industry and Commerce, are mainly advisory bodies. They are responsible for statistics of capacity and production; they actually impose levies, such as the export levy, contributions for co-operative assistance and levies for the financial maintenance of "slimmed" or closed-down civilian factories and shops.

These bodies are used for co-operative projects. For instance, group financing of industrial expansion is frequently done by them; machinery and factories are pooled by the Industry Group; the whole organisation has been used to form co-operative groups for export, transport and for special building and production programmes; and information is shared about inventions, standardisation and rationalisation. The special commissars usually work through these self-governing bodies; and some of the traditionally strong cartels provide the means for attempts to recover some measure of independence. Recently, the *Reichskohlenvereinigung*, or Coal Co-operative, was formed, actually replacing the Coal Commissar and leaving the reorganisation of the coal-mining industry and the coal trade to the self-governing organisations under the supervision of the Ministry of Economic Affairs.

The foundation of the war economy is the District Economic Boards, the regional organisations of the Ministry for Economic Affairs. They are parallel to the District Defence Committees—the regional organisations of the Council of Ministers for Defence, which for the duration of the war is the highest political authority. The District Economic Boards bring together the regional representatives of the Army command, of the armament inspectorate, of the Ministry of Armament and Munitions, of the Chambers of Industry and Commerce and of the self-governing bodies; and their territorial boundaries are the same as those of the District Army Command (*Wehrkreise*). These Boards do provide a considerable measure of flexibility. Here the priority of orders, centrally laid down, and the allocation of materials are adjusted to local conditions; and local labour and transport problems are solved. The fundamental principle of the whole system is the allocation of material and labour by quotas according to the priority of orders. But the current demands of the High Command, special requirements for the preparation of campaigns, the sudden expansion of activities in conquered countries or the transfer of factories may require constant changes and a high degree of flexibility. The centralisation of orders in big factories at one time may be followed by the spreading of orders over small shops during other periods.

War orders, of course, are bulk orders, exceeding the capacity of single factories. The Ministry of Economic Affairs therefore instituted, before the war, central and local Order Equalisation Boards, which developed "order bourses," where orders are sub-contracted to small firms. Samples of the articles required or their specifications are exhibited at these "bourses" just as samples are exhibited at commodity markets. The owners of small firms or the representatives of the organisations of independent artisans bid for sub-contracts, which they themselves in turn distribute to their members—tailors, shoemakers, garage mechanics, precision-instrument makers, cutlers, opticians and so on.

There is no doubt that private industry is under constant pressure from expanding State influence; and cartels, syndicates and private concerns struggle with changing fortunes against the influence of price-fixing and the restrictions on profits. Every time war necessity demands more centralisation, private companies are challenged and every time some compensation to the strongest among them is necessary, usually by allowing some measure of independence. Private industry has compensatory opportunities in the annexed and occupied territories, which in itself provide a measure of flexibility. In fact, the organisation is not yet complete. It is changing with expansion into fresh European countries, and more conquests or military reverses will create new problems. Up to now, the system has worked well; but it has grown haphazardly and

reveals an inherent contradiction between centralisation and private initiative.

The system is not really new. It is the logical development of the highly centralised organisation whose foundations were laid in the eighties of the last century. The State control exercised by the Ministries can be traced back to the exchange control instituted in 1931 in a back room of the Reichsbank. The destruction of the trade unions and the subsequent compulsory organisation of the workers in the Labour Front led the employers not only to accept in compulsory cartels, but also compulsory membership in the centralised federations. The change was more radical in agriculture. The Agricultural Estate is hardly comparable with the former peasant and farmer associations. The compulsory marketing organisations put an end to the co-operative selling organisations and the credit and produce co-operatives were deprived of their political independence. This a process that is being repeated in occupied countries. This agricultural organisation was fully developed for war purposes long before the war began, and control of production, the requisitioning of crops, compulsory storage and some degree of rationing were practised before 1939.

The foundations of the totalitarian economic organisation were completed in 1935, when conscription was introduced. It was the final aim of building up an air force and army superior to any combination on the Continent that resulted in the "Four-Year Plan Bureaux," whereas the scientific approach to the problems of modern warfare in relation to modern economy led to the "Wehrwirtschaft" organisation. Private industry, having lost its organised influence on actual economic policy, was reluctant to risk the heavy capital outlay for the expansion of industries (particularly of substitute industries) for war purposes. The State-owned "H. Goering Works," the motor-car factories in Fallersleben, the Gustloff works owned by party and semi-party organisations were a challenge to private industry; and now they have outgrown the largest private concerns.

Finance and Banking

More Bills for the Market

The market syndicate seems to have admitted defeat in its attempts to establish a return of 1d. per cent. on the 92-day bills for which it will be tendering for the next few months. The mere 11 per cent. allotment with which it had to be satisfied was regarded as a sufficient deterrent for a repetition of the attempt. On Friday of last week, therefore, the syndicate raised its application price for the Treasury bills to £99 14s. 11d., a figure at which the return on turning over bills to the banks at 1 per cent. is 0.5d. per cent. The reward for this cut in the rate was an allotment of 40 per cent.—the best the syndicate have obtained for many weeks past. The market has thus been a better seller of bills this week. The banks in their turn have been good buyers, and the position in the short loan market has been one of exceptional ease. It should however, be noted that, though some $\frac{1}{2}$ per cent money has been available, the market cannot count on an ample and persistent supply of such accommodation. When such cheap money is offered, it is for the most part "bad money" available for the night only. Most of the "outside" money now employed in the market can claim comparison in its permanence with clearing bank money and readily commands 1 per cent. It has, however, the advantage from the borrowers' point of view of being secured by bonds and not by bills which are exacted as the required security for 1 per cent clearing bank money. The Bank return is chiefly notable for its revelation of a further increase of £3,450,000 in the circulation, bringing the total to the new high record of £629,422,000. Despite this and a further repayment of India Council borrowing reflected in a reduction of £7,139,000 in other securities, the volume of bank cash increased further during the week, bankers' balances being up from £113,556,000 to £115,519,000. This follows an increase of £12,825,000 in the Bank's holding of Government securities.

Telegraphic versus Mail Transfers

The war has revolutionised foreign exchange business in ways other than those connected with the application of exchange control. The dangers of mails being lost through

From 1935 onwards the massive orders of the High Command made themselves felt as a planning influence. Soon the Army inspectors made their appearance in public, and the self-governing economic organisations were reduced to statistical and advisory bodies. The absorption of the unemployed, the recurrent shortages of foodstuffs and raw materials, and the unrestricted borrowing for armament purposes reacted on finance, prices and wages, and created problems which could not be combated with the existing organisations. Control at that stage affected only the "material" side of the economy; but now the Price Commissar was appointed and the price-stop of 1936 was his first decree, to be followed shortly before the war by elaborate directions for the calculation of prices.

With the approach of full employment, the competition for labour increased; the powers of the Trustees of Labour had to be expanded; and workers were forbidden to leave their working places without permission. The flight from the land and the general shortage of labour led to the conscription of labour in 1938. The existing system of organisation was no longer capable of coping with the ordinary and extraordinary demands of the "Wehrwirtschaft," which experienced its first tests by the march into Austria and the Sudetenland. Remembering the experiences of the so-called "Flying Divisions" of the Great War, that is to say squads of great mobility for special purposes, Dr Todt developed his Mobile Labour Organisation for the building of fortifications; and bottle-necks were combated by special commissars with over-riding powers. The number of special commissars rapidly increased until now the main industries are controlled by them. During the first months of the war centralisation was carried almost to snapping-point. Since then, co-ordination at the top as well as in the regional organisations has enabled a remarkable measure of flexibility and decentralisation to be achieved without impairing centralised control. The progress of the war will show whether this success can be maintained.

enemy action have given a considerable stimulus to the telegraphic transfer as the method of effecting foreign exchange operations. Ever since the first days of the international telegraph and telephone this has been the method of settling international payments of any size. The rates quoted in the foreign exchange market have for years been those for "telegraphic transfers," and where rates for foreign bills at sight or three months' currency were still quoted, they were, apart from a few isolated transactions, a relic of a past age. In the settlement of small payments, however, the mail transfer and payments by drafts or cheques sent by mail remained, until the outbreak of the war, the generally accepted form of settlement. The interruption of much of the pre-war air services and the delays and dangers of transmitting payments by mail have already led to a more general use of the telegraphic transfer. The drawbacks of making foreign payments by mailing cheques or warrants have been particularly apparent, for the loss of such instruments leads to endless delays, in exacting letters of indemnification from the payees before duplicates are issued. Mail transfers, i.e., bank instructions to effect payments overseas, do not suffer from some of these disadvantages, but are still subject to delay and possible loss. They do not therefore provide the ideal substitute for the actual mailing of documents.



**FOR ALL
INSURANCE
NEEDS**

Head Offices:
LIVERPOOL LONDON
North John St. Lombard St.

DANIEL WILLARD, *President*

Record Dunlop Profit

A preliminary statement by the Dunlop Rubber Company shows profit, before tax and preference dividends, of £3,001,853, which compares with £2,853,133 for the year 1939, and is almost double that of the preceding period. Tax provisions total £2,391,880, against £1,527,474, and the earnings percentage is drastically reduced. The following table shows the profits trend for three years:—

	YEARS TO DECEMBER 31ST.		
	1938	1939	1940
Profit † ...	£ 1,500,893	£ 2,853,133	£ 3,001,855
Current Taxes ...	386,109	1,027,474	1,741,880
Tax Reserve ...	—	500,000	650,000
Preference dividends	276,562	225,000	192,187
Ordinary shares			
Earned ...	838,222	1,100,659	417,788
Paid ...	552,063	624,977	416,651
Earned% ...	13.7	21.1	10.0
Paid% ...	9	12	10
Reserves ...	274,168	448,228	—
Carry forward ...	603,420	630,874	632,011

† After-all fixed charges.

While the company must have suffered from the further closing of the Continent, and in particular through the loss of the French subsidiary, it has enjoyed increasingly important Government contracts in a number of sections. It remains doubtful what fate will overtake the American interest. The price of the 20s. stock units, which had risen to 35s. in anticipation of the dividend, relapsed to 34s., which is within a little of the previous best of the current year. The yield at this figure is some £6 1s. 3d. per cent.

* * *

No Unilever Dividend

The decision to pay no dividend this year on the ordinary stock of *Lever and Unilever, Ltd.*, must come as a serious disappointment to stockholders. It must be remembered, however, that the decision is not irrevocable, nor is it dictated by the trading results of the British company. The directors state that the decision is due solely to the absence of information regarding the 1940 trading position of the Dutch company, *Lever and Unilever N.V.*, to which the British company is linked by a dividend equalisation agreement. While a contingent liability continues to exist in regard to the preference and ordinary dividends of *N.V.*, there can be no doubt of the wisdom of conserving the earned surplus. It should be a considerable consolation to stockholders that profits of *Limited* in 1940, after taxation and an additional provision for tax liabilities in the current year, have declined only from £6,742,053 to £6,600,000. After meeting prior charges, the sum earned for ordinary capital is down only from £2,404,276, representing a rate of 22.3 per cent, to £2,250,000, at which level it would appear to provide even more ample cover for a repetition of the normal 10 per cent. dividend. The immediate future of ordinary dividends is largely dependent on the course of hostilities, but the decision to suspend payment in the present instance is in itself a guarantee of the confidence of the directors that normal relations with *N.V.* will be resumed within a reasonable period. The £1 ordinary stock of *Limited* now stands at 21s.

* * *

De Beers Investments

Despite the absence of a dividend on deferred capital, shareholders in De Beers have considerable grounds for satisfaction with the 1940 accounts. Revenue on diamond account rose from £1,065,362 to £1,534,262 and total income from £1,837,455 to £2,138,106. Tax liability was more than doubled at £150,000 against £55,000, but other charges against profits have been strictly controlled and mining expenditure is sharply reduced from £755,218 to £451,587. Thus, after meeting the claims of the 40 per cent cumulative preference capital, £303,131, against £11,245 is available for deferred shares, the whole sum being devoted to increasing the carry forward from £773,597 to £1,253,131. The decision to pay no dividend on deferred shares was dictated partly by the necessity of preserving cash holdings and partly by the expenditure of £586,000 on the purchase of a portion of the surrendered diamond sales quota of Diamond Corporation. The company profited

from the active market in diamonds which persisted until the German invasion of the Low Countries in May, 1940, and, later in the year, from an increase in the demand for industrial diamonds. The balance sheet shows a number of significant changes. Cash holdings have jumped from £727,796 to £1,267,898 and Government and municipal securities from £15,000 to £171,850. Loans at call stand at £260,000 against nil. These rises, which are financed in part by the retention of profits and in part by reductions in debtors, both inside and outside the group, leave the total of current assets some £400,000 high on the year at £2,004,867. After an adjustment of investments, including a sale of African Explosives preference and a purchase of Consolidated Diamond debentures, quoted holdings are up from £1,158,335 to £1,480,328. On the liabilities side the debt of £1,000,000 on the purchase of Diamond Corporation shares is liquidated and other liabilities are up by about half that figure. The demand for diamonds, both for hoarding and for industrial uses, should be well maintained this year, but De Beers must continue to be hampered by the dislocation of the highly specialised cutting section of the industry since the German occupation of Holland. The 50s. deferred shares now stand at 110s.

* * *

Babcock and Wilcox Dividend Maintained

With the payment of a final ordinary dividend of 6 per cent, plus a 1 per cent cash bonus, Babcock and Wilcox maintain the total distribution on ordinary capital, for the calendar year 1940, at the 11 per cent paid in 1939. Profits, struck after war losses, but before taxation which absorbed £275,000 in the previous year, are shown by the preliminary statement as reduced from the record earnings of £756,663 to £717,347. It is clear that the sum available for ordinary capital must be considerably below the £616,645 earned in 1939 before provision for debts written off and possible fall in merchandise values. In the absence of the report detailed analysis is impossible, but there is reason to expect that the ordinary dividend, which in the previous year was approximately covered after the above allocations, will not have been fully earned. Some setback to profits on account of rising costs was to be expected after the steady progress, which has continued since 1933, even in the absence of the necessity of writing off substantial sums against the temporary loss of interests in enemy-occupied countries—a necessity which must have proved more onerous last year than in 1939, in view of the important French interest. The company has, of course, been working at high pressure during the year, and it is probable that allocations to depreciation and repairs have also required a more substantial amount than in previous years. The £1 ordinary shares, at 40s. 3d. ex dividend, offer a yield of £5 9s. 3d. per cent.

* * *

British Electric Traction

A further rise in the gross revenue of British Electric Traction, for the year to March 31, 1941, brings total receipts, according to the preliminary statement, to £748,552 against £745,874. Despite an inevitable decline in net earnings, the resilience of total profits in face of operating difficulties and enemy bombardment is highly satisfactory. After deduction of all charges except preference and preferred ordinary dividends, net revenue amounts to £531,824 against £548,748, and the total 45 per cent, paid on deferred stock in the previous year, is repeated. The total sum required in taxation is not revealed by the preliminary statement, but EPT provision is increased from £50,000 to £70,000. The maintenance of the ordinary dividend at 45 per cent involves a reduction in the allocation to undistributed profits fund from £29,789 to £12,864, thus bringing the total of the fund to £1,945,588, or two and a half times the deferred capital. The company has no doubt profited from the increased business which has accrued to the operating companies through the greater public use of bus transport. The outlook for these concerns is less certain, however, owing to demands for higher wages, which have already been granted by the corresponding Scottish institution. This and the effects of EPT at the full rate will have to be offset by considerable real economies if the profit is to be maintained. Even so, it is quite possible that dividends will be maintained. The deferred stock stands at 770 per cent, giving a yield of some £5 19s. 2d. per cent, which indicates faith in the continued prosperity of the group.

Industry and Trade

Committee on Retail Trade

On May 13th Mr Oliver Lyttelton announced in Parliament that he had decided to appoint a committee "to examine the present problems of the retail trade in goods other than food, having regard both to the immediate needs of the conduct of the war and to the position after the war, and to report." Mr Craig Henderson, K.C., is to be the chairman of the committee, which will include two independent members, two representatives of Labour, and five or six members with experience of the various branches of retail trade. In view of the complexity of the problems involved in bringing the distributive trade into line with war conditions, the Government's decision to have an investigation made before carrying out the slimming process is no doubt justified. But the wisdom of the decision to leave food distribution outside the scope of the committee, taken at the request of the Minister of Food, seems questionable, especially as there are many shops that sell food as well as other merchandise. Indeed, it would seem that, for the purpose of concentration, the distributive trade should be regarded as one whole rather than two watertight compartments. Mr Lyttelton was careful to point out

that the appointment of a committee does not mean that the problem of concentration will be shelved, and he expressed the hope that interim reports on some of the most urgent problems would be issued as soon as the committee has had time for preliminary discussion.

* * *

Control of Storage Facilities

In order to ensure the utilisation of factories and storage capacity in the national interest and to facilitate the speedy substitution of alternative premises for those that may be damaged or destroyed in air-raids, the Board of Trade has created a "clearing house" for factories and storage space. The compilation of a register of factories is already in hand, and on May 12th the Board of Trade made an Order requiring owners of premises with a floor area of 3,000 square feet and more that have at any time since January 1st, 1938, been used for the purpose of storing goods to give details of them to the Board of Trade. The Order has been made necessary by the growing volume of munitions, equipment and materials that has to be

THE STOCK EXCHANGES

London

Note: all dealings are for cash
DESPITE the week-end Blitz on London, markets remained firm in all sections. At the beginning of the week turnover was slight, but the improved levels of the previous week were generally held. Sentiment was encouraged by the successes of night fighters and by the arrival of Rudolf Hess in Scotland. Business in home rails was relatively well maintained and some leading industrials attracted buyers.

The gilt-edged market enjoyed little business, and on Monday the quotations of the previous week were hardly tested. Before the week-end, 2½ per cent Consols were up ¼ on the mid-week price, a rise which was also realised by 3½ per cent War Loan and Local Loans, while 5 per cent Conversion rose by ½. After a firm but quiet start to the week, prices in mid-week were somewhat easier, 3½ per cent War Loan losing ½.

The foreign bond market remained featureless except for spasmodic buying of Mexican issues on Monday. Other price changes failed to indicate a definite trend, although various Japanese issues, including the 4 per cent loans of 1899 and 1910 and the 6 per cent loan of 1924, were higher on balance. The German Young loan lost fractionally. A gain of 2 points for Turkish 3½ per cent on Thursday of last week was not followed up.

Turnover was relatively good in the home rail market. Steady buying, concentrated on the senior issues, raised "Berwick" 4 per cent 1st preference ½ point both immediately before and after the week-end. Southern 4 per cent debentures and LMS 4 per cent. Guaranteed were also in demand. Ordinary stocks, on Monday, held the gains of the previous Friday, when Great Western ordinary and Southern preferred put on ½. Later in the week, ordinary issues remained steady.

The industrial market remained steady, though business was on a small scale. In the heavy industrial section, Babcock and Wilcox was supported on the maintenance of the dividend, while John Brown and Stewarts and Lloyds deferred were also a good market. Electrical equipment shares attracted buyers, and, in the mis-

cellaneous group, Dunlop rose in anticipation of the preliminary statement. Murex was also in demand. Leading textiles, including Coats, Courtaulds and British Celanese, reacted on Monday after the rise of the previous week, the demand for Coats being influenced by the appearance of the accounts and reports of possible requisitioning of the company's United States assets. The tobacco section displayed considerable strength, but, in the stores group, Marks and Spencer, Woolworths and Harrods all reacted.

After a firm close to last week, mining markets opened somewhat subdued on Monday. Later in the week, the demand for *Kaffirs* revived with renewed support from the Cape, but nowhere was demand on a large scale. At the beginning of the week, Sub Nigel and West Wit Areas lost ½ and E. Daggas ¾. In midweek, demand revived and Johnnies, Grootvlei and "Sallies" were all quoted higher. Tin shares started the week firmly with gains of ½ for Tronoh and S. Malayan. In the rubber share market, turnover was reduced to a minimum and few price changes were recorded. The oil market, after last week's rally in Mexican Eagles, made a disappointing showing on Monday, the ordinary issues of Anglo-Iranian, Burmah Oil and Shell Transport all suffering small losses, though some recovery was realised in mid-week.

New York

DOMESTIC influences have been powerful on Wall Street this week. Before the week-end, taxation fears were temporarily disregarded and many issues rose by a point in an active market, which closed firm. Steel, copper, rail and aircraft issues attracted buyers, the latter remaining firm this week. On Monday the advance was halted by renewed fears of labour difficulties, and, later, price movements became once more narrow and irregular. With a favourable technical position, however, the undertone remained firm. In mid-week, business turned dull and idle.

The Iron Age estimates steel mill activity at 99.5 per cent of capacity, against 97.5 per cent in the previous week.

New York Prices

Total share dealing: May 7, 500,000;
May 8, 440,000; May 9, 400,000;
May 10, 380,000; May 12, 440,000;
May 13, 430,000; May 14, 320,000.

* Two-hour session.

	Close May 13, 1941	Close May 14, 1941	Close May 15, 1941	Close May 16, 1941
1. Railroads.	6, 13, 1941	6, 13, 1941	6, 13, 1941	6, 13, 1941
Balt. & Ohio.	3 3/4	4	Chrysler	57 1/2
Gr. Nthn. P.	20 1/2	20 1/2	Curt. Wr. "A"	25 1/2
Illinois Cent.	8 1/2	8 1/2	Eastman Kd.	125 1/2
N.Y. Cent.	13 1/2	13	Gen. Elec.	29 1/2
Norfolk Pac.	7 1/2	6 1/2	Gen. Motors	37 1/2
Pennsylvania	24 1/2	24 1/2	Inland Steel	70 1/2
Southern	13 1/2	13 1/2	Int. Harvest	43 1/2
2. Utilities, etc.			Int. Nickel	25 1/2
Amer. Tel.	149 1/2	149 1/2	Liggett Myers	82 1/2
Amer. Wks.	4 1/2	4 1/2	Nat. Dairy	12 1/2
Am. Light.	33 1/2	33 1/2	Nat. Distillers	18 1/2
Pub. Sv. N.J.	22 1/2	22 1/2	Nat. Steel	50 1/2
Sth. Cal. Ed.	22 1/2	23 1/2	Proct. Gamble	50 1/2
United Gas	6 1/2	6 1/2	Sears Roebuck	69 1/2
3. Commercial and Industrial.			Shell Union	13 1/2
Amer. Metal.	16 1/2	16 1/2	Sococony Vac.	9 1/2
Am. Roll. Ml.	14 1/2	14 1/2	Std. Oil N.J.	37 1/2
Am. Smelting	37 1/2	38 1/2	U.S. Steel	53 1/2
Am. Soda	24 1/2	25 1/2	West. Union	87 1/2
Briggs	19 1/2	19 1/2	Woolworth	27 1/2
Celanese of A.	20 1/2	21 1/2	Yngstn. Sheet	33 1/2

* Two-hour session.

Capital Issues

Week ending May 17, 1941	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
Net Savings Certs.	5,203,790	5,203,790	5,203,790
3% Defence Bonds (e)	4,375,315	4,375,315	4,375,315
2 1/2% Nat. War Bonds	Nil	Nil	Nil
Ditto, 2nd issue (e)	7,821,754	7,821,754	7,821,754
3% Savings Bonds (d)	20,278,918	20,278,918	20,278,918
† Week to May 6, 1941. Total sales, Nov. 22, 1939, to May 6, 1941, £277,371,018. † Week to May 6, 1941, making total since June 25, 1940, £444,440,301. (e) Total sales to May 6, 1941, £271,764,860. (d) Total sales to May 6, 1941, £133,871,270. (v) Total sales January 2, 1941, to May 6, 1941, £186,079,307.			
	Including Conversions	Excluding Conversions	
1941 (New Basis)	495,768,050	476,944,763	
1940 (New Basis)	761,918,835	408,953,702	
1941 (Old Basis)	495,213,872	476,300,576	
1940 (Old Basis)	788,773,765	396,018,632	

Destination (Conversions Excluded)

Year	U.K.	Brit. Emp.	Foreign ex U.K. Countries
*41 (New Basis)	474,395,660	2,549,103	Nil
*40 (New Basis)	395,870,796	1,155,075	11,957,231
*41 (Old Basis)	473,890,576	Nil	2,500,000
*40 (Old Basis)	395,004,500	77,500	886,632

Nature of Borrowing (Conv. Excl.)

Year	Deb.	Prof.	Ord.
*41 (New Basis)	474,283,249	34,460	2,627,054
*40 (New Basis)	395,870,796	1,155,075	11,957,231
*41 (Old Basis)	473,890,576	Nil	2,500,000
*40 (Old Basis)	395,004,500	77,500	886,632

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

stored and by the need for removing stocks from the ports and for dispersing them as much as possible. So far, however, no steps have been taken to compile a register of offices in the principal towns. Yet a "clearing house" for offices would considerably assist firms whose premises have been rendered unfit by enemy action to find alternative accommodation, as well as firms that require additional floor space, to secure them as rapidly as possible and at a reasonable price.

Scrap

Under the pressure of criticism, Mr Herbert Morrison, then Minister of Supply, decided ten months ago to call for a full survey of the quantity and location of iron and steel scrap in derelict factories, pitheads, railway lines and other disused structures which could be drawn upon, in case of need, for the purpose of supplementing deficiencies in the supply of materials secured from the usual sources of supply. When Mr Morrison decided on this investigation at the end of last July, the iron and steel industry had already been cut off from most of its important Continental sources of iron ore and scrap, and it needed little imagination to foresee that increased shipping losses would limit the intake of scrap from the United States and that, in any case, it was preferable to use the limited shipping space for the import of semi-finished and finished materials. Yet the survey of scrap supplies appears to have proceeded in the most leisurely fashion. Towards the end of last March it was announced that supplies in some twenty counties remained to be scheduled. It is therefore scarcely surprising to read in the trade press that there is a scarcity of scrap, that supplies are not released in quantities sufficient to meet the full requirements of steel producers. True, allowance must be made for labour and transport difficulties. But this country cannot risk a fall in steel production at a time when the munition factories must be fed largely by domestic supplies; and if the present methods of scrap collection are inadequate, other means must be found to ensure an increase in supplies and the maintenance of steel production at the highest possible level.

America's Growing Munition Capacity

Industrial mobilisation in the United States is scarcely further advanced than it was in this country in the summer of 1939. She is still engaged mainly in the preparatory process of constructing the factories and the shipyards that are to pour forth the munitions and the ships. Her output of ships and aircraft is already substantial; so was Great Britain's two years ago. But the construction of munition-making plant in the United States is now proceeding rapidly, by means of direct Army and Navy contracts, by the Reconstruction Finance Corporation and the Defence Plant Corporation, and by private enterprise through the issue of certificates of necessity granting special tax privileges which enable manufacturers to amortise their plant within a few years. According to the National Industrial Conference Board's *Economic Record* the value of the contracts placed by these agencies between June 13, 1940, and February 25, 1941, is \$2,053 millions, exclusive of those placed by private industry without certificates of necessity, and by this country. In 1939 the expenditure on plant by the manufacturing and mining industries totalled only \$775 millions. The \$2,053 millions were allocated as follows:—

	\$ Millions		\$ Millions
Aircraft and parts ...	633	Tanks & machine tools	74
Shipbuilding ...	153	Miscellaneous (a) ...	457
Arms, ammunition, explosives	736	Total ...	2,053
(a) Mainly metal-producing and processing plant.			

(a) Mainly metal-producing and processing plant.

Hitherto plant expansion appears to have been concentrated mainly on the aircraft industry. The value of the contracts placed for enlarging America's aircraft industry during the 8½ months is more than four times the expenditure on new shipbuilding facilities and more than eight times that on plant designed for the manufacture of tanks and machine tools. The additional aircraft manufacturing facilities are being constructed chiefly in the States of Ohio, Michigan, California and New York; shipbuilding facilities are enlarged mainly in New Jersey, California, Pennsylvania, Virginia and Massachusetts. The new

machine tool-making plant will be concentrated on Ohio, Connecticut and Illinois, and that for the manufacture of tanks on Michigan. It is understood that the greater part of the new plant will be completed this summer.

Tin Under Discussion

On Thursday the International Tin Committee met in London to discuss, it is understood, the terms of the new five-year control scheme, which is to come into force on January 1, 1942, on the expiry of the existing agreement. (The export quota for the remainder of the year had previously been fixed at 130 per cent of the basic tonnages.) While the outcome of the discussions was not known before *The Economist* was printed, rumour had it that Bolivia was unwilling to agree to the changes in the standard tonnages demanded by the majority of the member countries, and that Thailand might withdraw from the regulation scheme at the behest of Japan, who was anxious to secure the former's output for the Axis. By recommending the continuation of the scheme last March—the prescribed nine months before its expiry—the International Tin Committee has complied with the terms of the current agreement. But as the details of the new scheme need not be settled for some months, the existence of difficulties does not mean that the regulation of supplies will cease at the end of this year. In any case they appear to have been exaggerated. Bolivia has agreed to sell one-half of her output to the United States at a fixed price, but the other half has to be sold on the free market. And as costs of production in Bolivia are higher than in the other chief producing countries, she would hardly benefit from a return to free competition. Moreover, since tin is an important source of Bolivia's revenue, her Government cannot be interested in wrecking the scheme. Thailand has no tin smelters, but ships her output of tin concentrates to the Straits Settlements for treatment. Japan's small tin-refining capacity is fully employed in treating domestic ore. She could not smelt Thailand's ore in the absence of new smelters and these could not be constructed at short notice even if Japan could secure the requisite machinery. And as transshipments of Thai ore through Siberia to Germany could be intercepted by British warships, it is improbable, in present conditions, that the Government of Thailand will accede to Japan's demands.

Lead Supplies

Lead has always been one of the chief munition metals, but since the last war its importance in the armament industry has increased as a result of the mechanisation of warfare. Lead is used in the manufacture of electric batteries for aeroplanes, tanks, other military vehicles and warships. Moreover, the much increased firing power of machine guns has substantially increased the demand for lead for the production of bullets. Among the chief industrial countries directly or indirectly involved in this war, Germany finds it most difficult to cover her lead requirements. Germany and Austria together can produce some 100,000 metric tons of lead per annum. Another 10,000 tons per annum may be obtained from Poland, while Yugoslavia may be able to supply 80,000 metric tons, provided that the Trepca mine has been kept intact. Spain, normally a not insignificant lead producer, has hardly any exportable surplus at present as the whole of the Spanish output is required at home. Russia is not self-sufficient in lead. Compared with Germany's estimated minimum requirements of over 300,000 metric tons per annum, the supplies to which she has access thus appear seriously inadequate, even if allowance is made for the tonnage recovered from scrap. Great Britain, on the other hand, while producing only about 40,000 metric tons of lead per annum from domestic sources, has access to ample supplies abroad. The British Empire produces about 600,000 metric tons per annum, the great bulk of which is refined near the mines. The Empire's production is more than adequate for its needs; indeed, it exports large quantities to the United States to make up deficiencies in that country's supplies. Last year the United States produced 458,000 metric tons of lead from domestic ore, compared with 420,967 tons in 1939. Consumption, on the other hand, exceeded 625,000 tons, against less than 450,000 tons in 1939. This deficiency

(Continued on page 671)

COMPANY MEETINGS

EQUITY AND LAW LIFE ASSURANCE SOCIETY

REVIEW OF OPERATIONS FOR 1940

FACTORS AFFECTING RESULTS

SIR GEOFFREY ELLIS'S ADDRESS

RESULTS OF PAST YEAR

I come now to the working of the Society for the year 1940, and I shall not detain you long in this connection.

New business figures show a sharp decrease compared with those of previous years. Decreases have been the common experience of Life Offices and I do not propose to comment on the figures, except to say that our new business for the current year is being well maintained compared with that of 1940, and that in both years the business has been of a very good type. Our various schemes in connection with the Government Loans have proved, and are proving, very popular, and provide, moreover, an excellent means of extending the Society's connections.

The effect of the war on mortality is, of course, of vital importance to Life Assurance offices. During the year under review deaths have been slightly more than those expected according to the mortality tables, both in respect of lives assured and annuitants. We suffered a certain number of claims in respect of members of the fighting forces, but against this may be set the heavier mortality experienced by annuitants. On balance the result was only slightly less favourable to the Society than that expected according to the mortality tables used.

RATES OF INTEREST

The rates of interest shown in the report are derived directly from the revenue accounts for the year; they are thus calculated on the mean funds during 1940 without taking into account the reduction in the funds due to the revaluation of securities and the transfer to reserve, which you will observe took place as at December 31st.

If the rates of interest are calculated in relation to the funds at the end of the year—that is after the above items have been carried through the accounts—the gross rate would amount to £5 2s. per cent.; similarly the net rate would amount to £4 5s. per cent., after making proper adjustment for certain refunds of income-tax occurring during the year. These rates give an indication of the rates of interest now being earned on the written-down funds.

You will notice that the report this year is in a rather different form from that used on the occasions of previous valuations. We have incorporated the results of the triennial valuation in the annual report instead of issuing a separate report as hitherto; and we propose to adopt this procedure in future.

THE TRIENNIAL VALUATION

Before referring to the detailed results of the triennial valuation, I should first explain that Life Assurance offices when making an actuarial valuation do so on a basis considerably more stringent than that required merely to set up the reserves necessary to cover their liabilities. This procedure is followed in order that additional reserves may be retained to produce surpluses in future years for distribution then in the form of bonuses and dividends. Such procedure also has the great merit that these additional reserves provide an invaluable margin upon which a Life Office may draw, if need be, in times of stress such as the present.

The valuation basis employed by the Society as at December 31, 1937, involved the retention of such additional reserves as I have referred to above, but as at December 31, 1940, these reserves have to a substantial extent been released in order that depreciation might be written off the Stock Exchange securities and reserves provided against other investments as indicated in the accounts.

After giving effect both to the release of additional reserves and to the appropriations to which I have referred, there remains the surplus shown in the report. I may perhaps mention that the normal profits of the triennium before dealing with the invest-

The annual general meeting of Equity and Law Life Assurance Society was held on the 15th instant at the Society's offices, 20, Lincoln's Inn Fields, London, W.C.

Sir Geoffrey Ellis, Bt., M.P., presided.

The actuary and secretary (Mr. A. T. Haynes, F.I.A., F.F.A.) read the notice convening the meeting and the report of the auditors, the minutes of the last meeting being taken as read.

The chairman said:

Gentlemen,—I rise to move "That the report and accounts for the year ending December 31, 1940, be received and adopted and entered on the minutes." These have been in your hands for some days, and I assume that I may take them as read.

What I propose to say to you to-day falls conveniently into three sections—first, the changes which have taken place in the board of directors since the last annual general meeting, secondly the results for the year 1940, and thirdly the results of the triennial valuation made as at December 31, 1940.

RECONSTRUCTION OF SOCIETY'S BOARD

At the last annual general meeting my predecessor in this chair, Sir Dennis Herbert, indicated that your directors had under consideration a reconstruction of the Society's board. During the year a meeting of shareholders was called to modify the Articles of Association in such a manner as to permit one-third of the directors at any time to be persons not connected with the Law; you will remember that before this alteration such connection was a necessary qualification for all directors. Opportunity was also taken of this meeting to reduce the minimum number of directors from twelve to nine, and you will observe that in the process of reconstruction the numbers of the board have in fact been reduced below the old minimum.

The various resignations are set out in the report before you and I do not propose to refer to them in detail; I wish, however, on behalf of all the directors to place on record our appreciation to the gentlemen concerned for the action they have taken, and to the gentlemen concerned for the action they have taken, and taken solely with a view to facilitating the reconstruction of the board. Their old colleagues take this opportunity, too, of expressing their keen personal regret at the ending of associations with the Society extending over very many years.

In pursuing the plan of reconstruction your directors appointed Mr T. F. Tallents and Mr A. H. Reid to vacancies on the board, and since the issue of the report they have appointed also Mr W. M. Kirkpatrick. These three gentlemen bring to our board that element of wide business experience which we felt to be so desirable. We are confident that our new colleagues will be of great assistance to us in the conduct of our affairs.

Your directors have also resolved that their collective fees as from January 1, 1941, should suffer a reduction in roughly the same proportion as their numbers. A resolution fixing the fees at £8,600 p.a. gross—a reduction of £2,262 p.a.—will be brought before you later during the meeting.

I have to report with regret the death of Dr Lewis, the Society's principal medical officer. Dr Lewis served the Society for over twenty-five years and his sage counsel was greatly appreciated. The directors have appointed Dr A. E. Gow, the senior physician at one of London's leading hospitals, as principal medical officer and they are confident that in him they have an admirable adviser.

As at March 31st this year Mr Lewty, the actuary to the Society, retired after 40 years' service, and to succeed him the directors have appointed Mr Haynes, our chief cashier, who joined our service on the same day as Mr Lewty, also retired at March 31st. I should like to take advantage of this occasion to express our thanks to these two gentlemen for their long and faithful service to the Society.

ment situation were on a satisfactory level having regard to the conditions ruling. The modification in the valuation basis to which reference is made in the report will, however, inevitably reduce the future profits of the Society very considerably. Future bonus prospects must depend upon many factors at present indeterminate, but it is not possible to give any optimistic forecast under the conditions in which we now live and are likely to live for some time to come. I need hardly say that at future valuations it will be your directors' primary concern to increase the stringency of the valuation basis.

THE INVESTMENTS

Turning to the balance-sheet, the Society's Stock Exchange investments have been written down to their mid-market prices as at December 31, 1940, and the depreciation in the investments held by our subsidiary Equity and Law Investment Trust has been dealt with by writing down the value of the shares from £210,000 to £10,000 and by placing a reserve of £500,000 against the shares and the deposit made by the Society.

In passing, I would draw your attention to the fact that the Society now holds over £4,000,000 of British Government Securities, an increase of over £1,500,000 during 1940. Of this increase well over half went into new Government loans, and I think that your directors may claim that the Society has given the fullest possible support to the Government in their policy of financing the war. Our investment policy during the war has resulted in a strengthening of our position without the sacrifice of recovery prospects to more than a very minor extent. The balance of loss on securities realised was very small.

MORTGAGE AND INVESTMENT RESERVE

As at December 31st last it was necessary for your directors to consider what reserves—if any—required to be placed against our investments in mortgages, loans and property: I do not need to tell you what difficulties must attend such considerations under present conditions. Your directors, after considering a report from their general manager, felt that a reserve of £500,000 would be proper and sufficient. The mortgage and investment reserve has accordingly been maintained at this figure.

Reversions and life interests and loans thereon were revalued and examined as at December 31st and call for no comment.

SUBSIDIARY COMPANIES

As regards our subsidiary companies, you will remember that there has been for some time a large hidden reserve in the figure at which the capital stock of the Law Reversionary Interest Society has appeared in our balance-sheet. We have now taken credit for that hidden reserve. You will see that this item is now valued at £900,000—a figure fully justified by a careful examination of the position—as compared with £497,506 last year.

The accounts of the Freehold Building and Land Development Company for the period from May 3, 1938, to December 31, 1939, have been published since our last annual general meeting, and showed the reserve of £100,000 created last year to be necessary. As Sir Dennis Herbert said a year ago, the effects of war have been very unfavourable to this business. Nevertheless the future is by no means unhelpful. I may say that the board of this subsidiary company has undergone certain changes. The new board includes two nominees of the Society and has the full confidence of your directors.

The remaining subsidiaries call for no comment—Reserves Securities Trust Ltd. is a public company, carrying on the ordinary business of an investment trust and your Society is well represented on the board.

LIABILITY IN NATURE OF GUARANTEES

Before I leave the balance-sheet I wish to refer to the somewhat unusual docket which appears, and which has now appeared for some years, on the liabilities side, namely, the reference to liabilities in the nature of guarantees.

The guarantees given in respect of Unit Trusts refer to certain Unit Trusts managed by Trust of Insurance Shares Ltd. and—with two exceptions—are all mentioned in the publications of that company. The two exceptions are covenants which in certain circumstances might require us to make well covered loans in respect of uncalled liabilities on certain bank shares; these cannot be of major importance. The guarantee given in respect of a

wholly owned subsidiary refers to a sum of £19,520 deposited by outside interests with Equity and Law Investment Trust Ltd.

These comprise all our guarantees, with the trifling exception of a small life annuity. Your directors do not consider it in any way probable that those guarantees will become onerous.

I do not propose to prophesy about the world situation. The effects of the war on the business of the Society are shown by the report and accounts before you—these effects were accentuated by the fact that they followed closely upon a period of rapid expansion. Our aim now must be to conserve the strength of the Society, both in our treatment of the present and in our policy for the future. To that aim we shall steadfastly hold.

BOARD'S BONUS POLICY

You will observe that no bonus is declared in respect of the triennium ending December 31, 1940, nor is it proposed to pay any interim bonus at present. The probable suspension of bonuses was indicated in the chairman's speech last year, and the results of the valuation, to which I have already referred, left your directors no alternative consistent with sound finance. It is naturally with great regret that the Society's hitherto unbroken record of bonus distribution, ranging over its whole history of nearly 100 years, is thus interrupted.

QUESTION OF DIVIDEND

You will further observe that the dividend recommended for the current year is a very modest one, and that it is amply covered by the interest earned by the proprietors' fund. In this connection I would remind you that hitherto it has been our practice, on the occasion of a triennial valuation, to declare a dividend for the whole of the ensuing three years. The dividend up to and including the half-yearly instalment paid in January this year was thus declared at the annual general meeting in 1938 and was based on the results of the triennial valuation made as at December 31, 1937. We now hold the view that the rate of dividend should be considered annually; this has been done on the present occasion and will be our practice for the future.

It will also be noticed that the rate of dividend recommended has been expressed as a gross amount, subject to deduction of income-tax, not as a net amount, free of income-tax, as hitherto.

SAVINGS BOND SCHEME

I have already mentioned the schemes which we have introduced in connection with Government Loans and I should like to refer especially to our Savings Bond Scheme under which a considerable number of policies has already been effected. This scheme provides a means whereby Savings Bonds may be purchased by instalments extending over a period of fourteen years but ceasing in the event of the earlier death of the purchaser. As in the case of the 3 per cent. War Loan Scheme in March, 1940, the Society took the lead in offering this type of policy to the public.

Our National War Bond and Defence Bond Schemes remain in force and serve a rather different purpose—they combine the advantages of a high yielding annuity with the satisfaction of the entire investment being placed in new Government Loans.

In connection with War Weapons Weeks in many towns and cities throughout the country we have made arrangements whereby policies effected under these various schemes are credited to the local total. Many people who had not the money available for immediate investment have been glad to adopt this means of supporting their own War Weapons Week.

TRIBUTE TO STAFF

I report with deep regret the deaths of two more members of our staff serving with H.M. forces—S. R. Young and R. S. Tucker—I hope that the honour and respect in which such men are held may be a comfort to all those who mourn their loss. Seventy per cent. of our clerical staff are now serving with H.M. forces. The burden placed upon those who remain is very heavy, since beside the great increase of work to be done there are the duties of the Home Guard and Civil Defence with which we are all familiar. Our annual general meeting this year is some weeks later than usual owing to the very small actuarial staff available for the work of the triennial valuation. You will realise therefore that it is in no formal spirit that I close these remarks by expressing your directors' very sincere thanks to all members of the staff—both permanent and temporary—for a very good year's work.

SCOTTISH UNION AND NATIONAL INSURANCE COMPANY

RESULTS OF A DIFFICULT YEAR

SIR THOMAS B. WHITSON'S ADDRESS

QUESTION OF WAR RISK COVER

Sir Thomas B. Whitson, LL.D., chairman, presided at the one hundred and sixteenth annual general meeting of the shareholders of the Scottish Union and National Insurance Company held at Edinburgh on the 14th instant.

In moving the adoption of the report and accounts for the year 1940, he stated: Although it has been the practice of past chairmen to refer briefly to the prevailing conditions at home and overseas, as they affect the business of insurance, I do not propose to take this course to-day. But let me say this, we are all determined upon winning the war whatever it may cost. In this respect we, with other members of the insurance world, will continue to carry our share of whatever the Government may ask in respect of the National War Effort.

LIFE DEPARTMENT

In the matter of getting new business, the past year has been a difficult one in the Life department. During the period an ever-increasing number of the young men of the country, to whom we normally look for a large share of our new business, have been called to the colours and in most cases have postponed, for the time being at any rate, the question of life assurance. For the same reason we have lost the services of a large number of officials and agents who would normally have been getting business for us. In addition higher taxation, increased cost of living, and the call for savings to be invested in Government issues, are factors which have had a detrimental effect on our figures. As a consequence premium income at £795,874 shows a decrease of £38,108.

Claims by death show an increase compared with the exceptionally light experience of the past two years. The sums assured and bonuses paid under this heading amount to £451,643, being an increase of £57,233 compared with 1939. This increase is very largely accounted for by claims which have become payable in respect of deaths caused directly by enemy action arising under policies issued before the war and which contained no restriction with regard to war risks. Despite these war claims, the total claims paid are well within our estimation. Claims by maturity—£486,355, although about £18,000 less than last year, are considerably higher than normal owing to the large proportion of twenty-year endowment assurance business written in 1920. Surrenders, on the other hand, show a welcome decrease, and at £66,399 are less by £44,672 than a year ago. It is our policy to discourage the surrender of contracts which have been effected with the company. When this course is contemplated by our policyholders, we are frequently able to assist them to keep the benefit of their assurance by allowing premiums to stand over as a debt against their policies, or by other means.

Consideration for annuities is down by £17,733, whilst the net annuity payments show a decrease of £12,673. The reduction in commission reflects the falling off of new business. The expense ratio, including commission at 12.6 per cent., is a decrease of approximately 3 per cent. on the previous year.

GROSS RATE OF INTEREST

Although the life funds have decreased slightly during the course of the year from £12,088,851 to £12,070,323—a decrease of about £18,500—the gross net interest income has been more than maintained at £536,840 against £536,716. The gross rate of interest earned was £4 10s. 2d. per cent.

You will know that, broadly speaking, our life department pays income-tax on its interest income less expenses and not on the profits earned. If the full burden of continued increases in the rate of tax which have taken place in the past few years had to be borne by the offices, the profit-earning capacity of the business would be seriously affected. It is therefore gratifying that the Government has recognised this fact by limiting the rate of tax to 7s. 6d. in the £ on the taxable income reserved for life policyholders.

Last year my predecessor pointed out that at the time when he was speaking, none of the contracts issued since the outbreak of war had included war risk cover. This policy was decided upon as, at that time, we had no means of assessing the magnitude of the risks involved. During the course of the past year we have been able to consider the results of enemy action against our civilian population. With these before us, your directors came to the conclusion that we could safely include war risks on civilian lives in the United Kingdom and Northern Ireland on the payment of a special premium. Consequently, we are now prepared to do this when requested, but at the same time we shall keep the position under constant review.

As mentioned to you a year ago, many offices have decided to reduce or stop payment of intermediate bonuses under present conditions. This company, however, having given a definite undertaking to its policyholders to pay intermediate bonuses under claims arising before December 31st, 1942 (the next valuation date) at 38s. per cent. on each year's premium due and paid subsequent to December 31, 1937, will continue to honour this undertaking.

The sinking fund and capital redemption account has increased slightly from £234,692 to £238,687.

FIRE DEPARTMENT

Judged by the experience of recent years, the results for 1940 are disappointing, but when account is taken of the circumstances which have been operating against us throughout the year, the loss ratio may not be considered as unsatisfactory.

Premium income with an increase of £88,112, passed the million mark at a figure of £1,049,244. This advance was mainly due to America but the home field also contributed.

Our fire claims are somewhat higher than in recent years and in this country a number of factors arising out of the war had a considerable effect on the experience. Black-out conditions, intense industrial activity, emergency storage of goods and the rising costs necessary to replace property destroyed, all tended to increase the loss ratio. In addition the very severe weather conditions both at home and in America during the early part of the year, gave rise to an abnormal number of claims.

In common with other offices the operation on behalf of the Government of the war risks scheme in respect of commodities and fire-prevention arrangements have imposed upon us a good deal of extra work. The Government is making very strenuous efforts to reduce fire waste and the measures which they are instituting should ultimately bear fruit. In the meantime, however, there are so many factors associated with the war tending to increase fire losses that any immediate reduction in loss ratio can hardly be anticipated.

On the Continent our commitments have been relatively small so that it is not anticipated that our aggregate income will suffer to any great extent.

ACCIDENT DEPARTMENT

In the accident department the improvement indicated a year ago has happily been maintained. Each account has shown a profit.

The employers' liability account shows an increase in premiums and in spite of the recent legislation increasing compensation to workers, we are able to show a distinct improvement in the claims ratio and to produce a profit.

Special reference is made to the miscellaneous account in which is included, inter alia, the motor business. The results in this account, whilst showing a profit, are marred to some extent by our overseas motor experience. Steps have already been taken to put this in proper order and it is to be hoped that the beneficial effect of this action will soon be felt. Most other sections in the

miscellaneous account have shown increases in premiums and small profits.

MARINE

In the marine department we have, in spite of continuing difficulties of underwriting, been able to transfer a profit of £30,000 to the profit and loss account.

There have been many changes in the conduct of the marine business and the loss of the services of many of our valued Continental agents, as a result of enemy occupation of a number of Continental countries, has deprived us of a substantial section of business. In addition certain balances which were held in those countries are not at present available to us. Provision, however, for this has been made in our account.

In America business continues to expand and to yield most satisfactory results.

PROFIT AND LOSS ACCOUNT

The profit and loss account shows an experience common to all companies of reduced interest yield. The course which the Government have taken by maintaining interest rates at a low level and by increasing taxation in the National cause, is a matter in which we are all ready and willing to share.

Under present conditions it has been considered prudent to pay our dividend at a reduced rate of 4s. 6d. per "A" share and 16s. 10½d. per "B" share.

BALANCE-SHEET

An examination of the balance-sheet shows that the total assets of the company at £17,890,316 have increased during the year by £367,368.

During the year your directors have consistently given of the company's available surplus to assist the National war effort.

UNITED MOLASSES COMPANY, LIMITED

TRADING UNDER WAR CONDITIONS

The annual meeting of The United Molasses Company, Limited, will be held on the 30th instant.

The following is a summary of the statement by the chairman (Mr. F. K. Kielberg) circulated with the report and accounts.

In the United Kingdom the company had throughout the year acted as agents for the Ministry of Supply, under the direction of the controller of molasses and industrial alcohol. The distribution of the country's requirements of molasses had, under that arrangement, worked smoothly and without a single breakdown. Although by far the greater part of the company's activities had been taken up with work arising out of the agency agreement, the commission received by the company from the Ministry had amounted to less than 15 per cent. of the company's combined profits.

The agreement, however, permitted the company and its foreign subsidiaries to buy and sell molasses abroad for their own account and several of the subsidiary and associated companies, particularly in America, had had a successful year. In other markets trade had been, and continued to be greatly handicapped by the difficulty experienced in obtaining tonnage.

The company's business with the Continent of Europe had, of course, come to a complete standstill, and since last spring no news whatsoever had been received from any of the European subsidiary companies. The future values of the Continental assets and investments must, of necessity, be considered problematical and the directors had decided to write off those assets and investments in full. The written down book value amounted to £166,200, although the actual value was considerably in excess of that figure. The board had also considered it prudent to write off, or to make provision for, all fixed assets situated in danger zones in other parts of the world, and all fixed assets included in the balance-sheet at December 31, 1940, were situated within the Empire or within the United States of America.

He felt certain that stockholders would wish to associate themselves in an expression of gratitude to the company's masters, officers, engineers and crews.

THE EMPLOYERS' LIABILITY ASSURANCE CORPORATION, LIMITED

SATISFACTORY RESULTS

The sixtieth ordinary general meeting of the Employers' Liability Assurance Corporation, Limited, was held on the 14th instant in London, Sir Courtauld Thomson, K.B.E., C.B., the chairman, presiding.

The chairman's address, which had been circulated, stated: A summary of the main features of our operations in 1940 show that our fire and accident premiums were well maintained and amounted to £6,268,000. The total amount taken to credit of the profit and loss account in respect of 1940 is £547,000. This amount includes the underwriting profit of £234,000, which was higher than in 1939 and above the average of recent years, and also includes gross interest income received of £313,000. After providing for British taxation totalling £307,000 and for other charges, and after declaring dividends at the same rates as a year ago, we have added £70,000 to the amount carried forward, which has now reached the sum of £539,000. This mobile reserve is additional to our general reserve of £2,500,000, and the two together form a substantial reserve fund of over £3,000,000.

VALUE OF INVESTMENTS

The market values of our investments at December 31, 1940, if taken at current exchange rates, show a considerable appreciation over book values.

The "Clerical, Medical and General" declared a modified bonus, while carrying forward a large reserve. The "Merchants Marine" showed an underwriting profit on the 1939 marine account and increased premiums in 1940.

The special effects of the war on our business in 1940 were fortunately not serious. The only countries where we have temporarily lost our business on account of enemy occupation are France, Belgium and Holland, but our interests there were relatively small.

The premiums in our fire account increased in 1940 by over 5 per cent., but there has been a smaller underwriting profit than usual. This was to be expected from the larger figures of all home fire losses which have been published in the Press each month.

The decrease in our home accident business due to the war, to which I referred a year ago, was continued in 1940, particularly in the motor branch, where, however, we made an underwriting profit. In workmen's compensation business we have not yet received the full benefit of increased premiums due to greater business activity in war industries, while last year our results suffered from the increased benefits recently brought into force. War conditions also affected other classes of business.

RESULTS IN UNITED STATES

In the United States, workmen's compensation business produced for us, with careful underwriting, a modest profit. It is estimated that there are now 2,500,000 more people in employment, and the payrolls are 20 per cent. higher than a year ago. We may therefore expect larger premiums in this class, though any increase in volume will be offset in some degree by continued reductions in rates. Motor business also yielded us a profit, but lower rates here made discrimination in the selection of risks more necessary than ever. Miscellaneous classes were again favourable. Taking the results of our United States branch business as a whole, both our premiums and the number of policies we wrote were higher, and good underwriting results were once again obtained. These satisfactory features are particularly creditable in a difficult year.

In Canada, where we operate on a large scale, we made a profit, though our results were not as good as they were in 1939. In South Africa and Australia, where we also transact considerable business, our results were profitable, and better than those of the preceding year.

The market value of our investments in stocks and shares at December 31, 1940, as stated in the balance-sheet, is £1,430,000 in excess of their book value if taken at current rates of exchange—that is, \$4.03 to the £ for United States dollars and \$4.45 for Canadian dollars. When allowance is made for revaluing on the same basis our other assets and all our currency liabilities, we have a considerable net appreciation in our assets.

The report was unanimously adopted.

JOHNSON AND PHILLIPS, LIMITED

INCREASED ACTIVITIES

The thirty-sixth annual general meeting of Johnson and Phillips, Limited, was held, on 15th instant, in London.

Mr. G. Leslie Wates, J.P. (the chairman), said that the trading profit at £491,301 to a very large extent resulted from that careful purchase of additional plant during many years past, which he had previously referred to. The reserve for taxation was necessarily an estimate as it was not possible to deal with it exactly. The estimate was, however, on conservative lines and had included for income-tax at the current rate of 10s. in the £ in respect of the profits earned during the year under review, although such income-tax will not become payable until January 1, 1942.

In the trading profit there was included only dividends of a token amount from the subsidiary companies. An additional £30,000 has been transferred to the special reserve for contin-

(Continued from page 666)

between domestic supplies and requirements, however, was fully made up by increased imports of lead ore and metal from foreign sources, chiefly Mexico and territories in the British Empire. United States lead exports, which had been considerable in 1939, fell to an insignificant level in 1940. There has been little change in the supply position of the United States during the first quarter of this year. New supplies are adequate, while stocks in the hands of producers, which totalled 46,000 tons at the end of March, have hardly changed since July last, and those held by consumers have even increased.

* * *

Firmer Oil Markets

After a long period of comparatively stable prices, the oil markets overseas have recently begun to show a firmer tendency; and while the connection between world market prices and British retail prices is now somewhat remote, it is not unlikely that consumers in this country will be affected in the not too distant future. The Gulf export price, which reflects world market movements, has risen from 3.50-3.75 cents a gallon for a representative grade at the end of last year to 5.00-5.25 cents. The rise has so far been considerably less marked in the case of other petroleum products, but lubricants, distillate fuels and bunker fuel oils have all made headway during the past two

months. So far as petrol is concerned, the movement is to some extent attributable to seasonal factors—for the industry is now on the threshold of the main consuming season; but other, and more important, causes have been at work. In the first place, the over-production of crude oil, which was especially marked last year in Texas and Illinois, has been largely eliminated, with the result that posted prices were advanced last month in several districts for the first time for two and a half years. Secondly, refinery operations have been kept within the limits of market demand, so that it has been possible to reduce petrol stocks from the abnormal levels reached last year. Concurrently with these improvements on the supply side, the domestic demand for the chief oil products has registered an advance which has in some instances been very striking. This has rescued the markets from the adverse effects of the fall in exports which occurred last year in consequence of the loss of European markets. Owing to the remarkable growth of motor traffic—new registrations were up by 27 per cent last year—the consumption of petrol in the United States is now estimated to be running 10 per cent above the 1940 level. Similarly, the rapid expansion of general business activity is making its effects felt on the demand for industrial fuels and lubricants. As the American re-armament programme gathers momentum the consumption of oil products is likely to expand further. Though export business remains at a low level, the upward trend of prices at the Gulf seems likely to continue. This means that oil products will be dearer throughout the world.

The recommendation as to dividend was that 15 per cent. should be paid for the year, being the same dividend as was paid last year.

The figures of the balance-sheet reflect the greater activities of the company in the substantial increases in stock-in-trade and work-in-progress. The item "Sundry Creditors" at £300,089 compares with a corresponding figure of approximately £250,000 last year but this apparent increase is to be considered in relation to the increase of stock-in-trade and work-in-progress from £437,000 last year to £626,000 this year. Although the bank loan is up by £50,000, the cash in hand is up by over £40,000, so that the general liquid position of the company can be considered extremely satisfactory. In view of the large figure which now has to be reserved for taxation, this has, for the first time, been shown as a separate item in the balance-sheet, in which it appears at £341,059.

COMMODITY AND INDUSTRY NEWS

BUSINESS was resumed on Tuesday after the Rubber Trades Association's announcement on Monday. Though little business was done, prices were firm. Smoked sheet spot closed on Wednesday at 14½d. per lb., compared with 14d. per lb. a week earlier. Tin showed very little change during the week. Wednesday's closing price for standard cash was £270-£270 5s., compared with £270 5s.-£270 10s. per ton a week earlier. The three months' figure was £267 15s.-£268, compared with £267 5s.-£267 10s. Some of the difficulties which faced the International Tin Committee at its meeting on Thursday are discussed on page 666.

Cotton.—The members of the Liverpool Cotton Association have approved the proposals of the directors for the allocation of the Government grant of money. Instructions have been received that stocks of cotton and cotton arriving in Liverpool must be moved to warehouse accommodation outside the city. Little progress has been made with private agreements for the closing down of mills and sheds. Cloth inquiry for export has been on a rather larger scale

and fair orders have been booked in essential goods for the Home Services. Some spinners of yarn have received more permits to sell from the Controller.

Rubber.—On May 12th a notice was issued to the Rubber Trade Association. The text ran: "The passing of tenders, declarations, and documents, delivery orders and warrants, will be suspended until to-day week, May 19th. Except by mutual agreement between parties, payments will be suspended for the same period. The market will remain open for business within the terms of the preliminary notice issued by the Rubber Controller." No business, however, was transacted during that day, but there was a resumption on Tuesday. The price had been fairly steady at 14½d. per lb., smoked sheet spot.

Assistance to Exporters.—The export trade is to be assisted to the extent that the Board of Trade is prepared to grant licences to firms belonging to export groups to anticipate one-half of their quota for Class 3 goods in the next restriction period. Licences may also be granted to permit the substitution of

woven textiles goods for knitted goods. Applications will first have to be approved by the export group concerned.

More Children's Clothing.—An amending Order to the Limitation of Supplies Order will raise the quota of children's clothing to one and a half times the present value. Suppliers who have already exhausted their quotas may apply to the Board of Trade for licences to enable them to supply up to one-twelfth the quantity (or value) of children's wear they have disposed of in the present restriction period. *The Economist* pointed out in the issue of May 3rd on page 600 that the shortage of children's clothes was acute, particularly in reception areas.

Silk Stockings.—Last December sales of silk stockings by manufacturers to wholesalers were prohibited. The British Silk Stockings Corporation Ltd. has been set up to assist manufacturers and wholesalers to export these stocks of silk stockings. The Corporation, which is a non-profit-making concern, has eight members, three nominated by the Board of Trade, four by manufacturers of silk

(Continued on page 674)

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended May 10, 1941, total ordinary revenue was £13,850,000, against ordinary expenditure of £70,281,000, and issues to sinking funds of £130,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £330,613,000 against £192,952,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1 to May 10 1940	April 1 to May 10 1941	Week ended May 10 1941	Week ended May 10 1940
ORDINARY REVENUE				
Income Tax	17,515	37,373	737	1,541
Sur-tax	4,220	4,725	320	245
State, etc., Duties	9,010	10,553	1,210	1,070
Stamps	700	940	...	...
N.D.C.	1,910	1,596	190	220
E.P.T.	220	15,012	30	1,500
Other Inland Revenue	70	50	20	20
Total Inland Revenue	34,645	70,249	2,507	4,596
Customs	31,388	36,918	5,643	4,977
Excise	13,450	20,600	992	1,480
Total Customs and Excise	44,838	57,518	6,635	6,457
Motor Duties	5,154	4,119	510	744
P.O. (Net Receipt)	3,850	3,250	1,250	1,100
Crown Lands	100	170	...	...
Receipts from Sundry Loans	182	711	...	645
Miscellaneous Receipts	2,240	1,141	1,403	308
Total Ord. Revenue	90,069	137,158	12,305	13,850
SELF-BALANCING				
Post Office and Broadcasting	7,100	7,950	900	1,400
Total	97,169	145,108	13,205	15,250

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1 to May 10 1940	April 1 to May 10 1941	Week ended May 10 1941	Week ended May 10 1940
ORDINARY EXPENDITURE				
Int. & Man. of National Debt	40,292	47,926	1,381	1,982
Payments to N. Ireland	592	598	...	299
Other Cons. Fund Serv.	347	286	63	...
Total	41,230	48,809	1,444	2,281
Supply Services	241,211	418,360	43,000	68,000
Total Ord. Expenditure	282,442	467,175	44,444	70,281
SELF-BALANCING				
Post Office and Broadcasting	7,100	7,950	900	1,400
Total	289,542	475,125	45,344	71,681

After increasing Exchequer balances by £302,166, to £2,627,526, the other operations for the week (no longer shown separately) raised the gross National Debt by £57,104,216 to about £11,727 millions (after deducting £17,043,000 issued to sinking funds in 1940-41, but excluding issues to sinking funds in 1941-42).

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1941, to May 3, 1941, are:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	467,175	Ord. Revenue	137,158
Misc. Issues (net)	2,123	Gross. borr.	332,737
Inc. in balances	1	Less Sinking fds.	506
		Net borrowing	332,141
			469,299

NET ISSUES (£ thousands)		NET RECEIPTS (£ thousands)	
P.O. and Telegraph	200	Land Settlement	13
Overseas Trade	55	Facilities	...
Guarantees	255		...

FLOATING DEBT

(£ millions)		(£ millions)	
Date	Treasury Bills	Ways and Means Advances	Total Floating Debt
1940			
May 11	685-0	722-1	1407-1
1941			
Feb. 1	845-0	Not available	...
" 8	845-0	Not available	...
" 15	845-0	Not available	...
" 22	845-0	1369-4	2214-4
Mar. 1	845-0	165-5	1010-5
" 8	845-0	Not available	...
" 15	845-0	Not available	...
" 22	845-0	Not available	...
Apr. 5	845-0	172-3	1017-3
" 12	850-0	Not available	...
" 19	855-0	Not available	...
" 26	865-0	1370-4	2235-4
May 3	875-0	Not available	...
" 10	885-0	Not available	...

TREASURY BILLS

(£ millions)		(£ millions)	
Date of Tender	Amount Offered	Amount Applied for	Per Cent. Allotted at Min. Rate
1940			
May 10	65-0	111-6	170-4
1941			
Jan. 24	65-0	139-4	213-6
" 31	65-0	150-7	230-9
Feb. 7	65-0	149-4	228-6
" 14	65-0	142-5	218-5
" 21	65-0	139-1	211-6
" 28	65-0	109-5	166-9
Mar. 7	65-0	151-2	230-9
" 14	65-0	153-8	234-2
" 21	65-0	148-3	227-7
" 28	65-0	144-3	220-5
Apr. 4	70-0	164-7	235-3
" 11	70-0	156-0	221-4
" 18	75-0	161-8	214-8
" 25	75-0	168-9	225-2
May 2	75-0	170-4	226-0
" 9	75-0	160-5	213-3

On May 9th applications at £99 14s. 11d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted at about 40 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. 0d. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury bills were accepted in full. For the week ending May 17th the banks will be asked for Treasury deposits to the maximum amount of £30 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

(£ thousands)		(£ thousands)	
Week ended	N.S.C.	3% Def. Bonds	2½% Bonds
Apr. 1	4,918	4,957	Nil
" 8	4,405	4,568	Nil
" 15	2,567	2,903	Nil
" 22	3,560	2,795	Nil
" 29	5,118	4,318	Nil
May 6	5,204	4,375	Nil
" 13	...	...	...
Totals to date	277,371	271,765	444,440
			193,366
			1140,543

* 76 weeks. † 47 weeks. ‡ 10 weeks.

Interest free loans received by the Treasury up to May 10th amounted to a total value of £32,495,440. Up to April 26th, principal of Savings Certificates to the amount of £33,972,000 had been repaid.

BANK OF ENGLAND RETURNS

MAY 14, 1941

(£ millions)		(£ millions)	
Notes Issued:		Govt. Debt	11,015,100
In Circulation	620,422,339	Other Govt. Securities	666,223,547
In Banking	50,819,236	Other Secs.	2,751,818
Dept.		Silver Coin	9,588
		Amt. of Fid. Gold Coin & Bullion (at 168s. per oz. fine)	680,000,000
			241,575
			680,241,575

BANKING DEPARTMENT

(£ millions)		(£ millions)	
Propos. Capital	14,553,000	Govt. Secs.	115,302,538
Rest	3,180,214	Other Secs.	12,249,861
Public Depts.	14,408,349	Advances & Securities	19,752,292
Other Depts.			
Bankers	115,519,650	Notes	32,002,490
Other Accts.	52,110,219	Gold & Silver Coin	50,819,236
			1,046,778
			199,771,342

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

THE WEEK'S CHANGES

(£ thousands)		(£ thousands)	
Both Departments	Amt. May 14, 1941	Compared with Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	629,422+	3,449+	89,007
Deposits: Public	14,408+	2,171+	19,448
Bankers	115,520+	1,964+	9,130
Others	52,110+	1,853+	9,647
Total outside liabilities	811,460+	5,731+	82,245
Capital and rest	17,733+	15+	11
COMBINED ASSETS			
Govt. debt & securities	792,541+	12,904+	77,066
Discounts and advances	12,250+	7,101+	8,374
Other securities	22,505+	115+	3,096
Silver coin in issue dept.	10	...	500
Coin and gold bullion	1,888+	61+	362
RESERVES			
Res. of notes and coin in banking department	52,466	3,389+	173.85
"Proportion" (reserve to outside liabilities in banking dept.)	28.8%	-2.2%	+9.7%

COMPARATIVE ANALYSIS

(£ millions)		(£ millions)	
	1940	1941	
Issue Dept.			
Notes in circulation	546-4	623-3	629-4
Notes in banking department	33-8	56-9	54-3
Government debt and securities*	576-4	677-2	677-2
Other securities	3-1	2-8	2-8
Silver coin	0-5	0-0	0-0
Gold, valued at s. per fine oz.	168-00	168-00	168-00
Deposits:			
Public	33-9	13-6	12-2
Bankers	106-4	131-8	113-6
Others	42-6	57-2	54-0
Total	182-0	202-6	179-8
Banking Dept. Secs.:			
Government	139-1	109-3	102-5
Discounts, etc.	3-9	24-4	19-8
Other	22-5	21-4	14-7
Total	165-5	155-1	137-0
Banking dept. res.	35-1	58-3	52-6
"Proportion"	19-1	28-7	31-0

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £680 millions to £680 millions on April 30, 1941.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Finland appeared in "The Economist" of Dec. 9th, 1939; Norway, of Apr. 13th, 1940; Denmark, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Switzerland, of June 15th; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Mellie Iran, of Nov. 23rd; Lithuania, of Nov. 30th; Reichsbank, International Settlements, of Feb. 15th; Roumania, of Feb. 22nd; Portugal, of Mar. 8th; Greece, of Mar. 22nd; Argentina and Yugoslavia, of Apr. 28th; U.S. Federal Reserve Member Banks and Turkey, of May 3rd. Australia, Canada, Egypt, Japan, New Zealand, South Africa and Sweden, of May 10th.

NATIONAL BANK OF HUNGARY

Million peng		Million peng	
Assets	Feb. 7, 1940	Nov. 23, 1940	Jan. 7, 1941
Metal Reserve:			
Gold coin and bullion	124-1	124-1	124-1
Foreign exchange	76-8	37-5	34-6
Incl. bills, wts. & sec.	591-5	698-8	662-4
Advances to Treasury	313-2	572-4	573-3
LIABILITIES			
Notes in circulation	928-4	1270-8	1333-1
Sight liabilities	189-8	239-6	161-2
Cash certificates	93-5	86-8	86-8

Propos. Capital	14,553,000	Govt. Secs.	115,302,538
Rest	3,180,214	Other Secs.	12,249,861
Public Depts.	14,408,349	Advances & Securities	19,752,292
Other Depts.			
Bankers	115,519,650	Notes	32,002,490
Other Accts.	52,110,219	Gold & Silver Coin	50,819,236
			1,046,778
			199,771,342

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

EXCHANGE RATES

The following rates fixed by the Bank of England remained unchanged between May 9th and 15th. (Figures in brackets are par of exchange.)

United States. \$ (4-86½) 4-02½-03½; mail transfers 4-02½-03½. Canada \$ (4-86½) 4-43-47; mail transfers 4-43-47. Switzerland. Francs (25-22½) 17-30-40. Sweden. Krona (18-159) 16-85-95. Argentina. Florin (12-11) 16-92-17-13; mail transfers 16-92-17-13. Dutch East Indies. Guilder (7-58-62) 7-58-62; mail transfers 7-58-62. Dutch West Indies. Guilder (7-58-62) 7-58-62; mail transfers 7-58-62. Portugal. Escudos (110) 99-20-20. Panama. \$ (4-02-04) 4-02-04; mail transfers 4-02-04. Manila. Peso 8-00-12; mail transfers 8-00-12.

Rates Fixed for Payment at Bank of England for Clearing Offices

Spain. Peseta (25-22½) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey. Lira (1-10) 5-20.

Market Rates

The following rates remained unchanged between May 9th and 15th.

Greece. Drachma (375) 515 (Nominal). Finland. Mark (193-23) 180-210. Egypt. Piastre (97½) 07½-1. India. Rupee (18d. per rupee) 17½-18½. Hongkong. \$ (14½-15½d. per \$) 14½-15½. Japan. Yen (24-58d. per yen) 13½-14½. Singapore. \$ (24d. per \$) 24-0. Colombia. Peso 6 (nominal). Belgian Congo. Francs 176½-180. Shanghai. (May 9-12) 3-3½d. per \$; (May 13-15) 3½-3½d.

SPECIAL ACCOUNTS are in force for the following countries and no rate of exchange is accordingly quoted in London: Turkey, Brazil, Chile, Uruguay and Peru.

Forward Rates

Forward rates for one month have remained unchanged as follows:—United States ½ cent pm-par. Canada ½ cent pm-par. Switzerland. 3 cents pm-par. Sweden. 3 ore pm-par. Dutch East Indies. 1½ cents pm-par.

MONEY RATES, LONDON

The following rates remained unchanged between May 9th and 15th:—Bank rate, 2% (changed from 3% October 26th, 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, 1-1½%. Short loans, 1-1½%. Bank deposit rates, 1%. Discount deposit at call, 1%; at notice, 1%.

Shorter Comments

Celanese Corporation of America.—Profits for the first quarter of 1941 amount to \$1,587,755 net, against \$2,419,414 for corresponding period of 1940. Volume of sales was at record level, but taxation is much increased and costs were slightly higher, without any compensating rise in prices. After provision of dividends on preferred stocks, the surplus is equivalent to 84 cents per share of common stock, against \$1.36 a year before.

Australian Mutual Provident Society.—New business, 1940, £16,927,863

U.S. FEDERAL RESERVE BANKS

	May 8, 1940	April 2, 1941	May 8, 1941	May 8, 1941
12 U.S.F.R. BANKS				
RESOURCES				
Gold Certifs. on hand and due from Treas.	16,497	20,100	20,193	20,256
Total reserves	16,872	20,504	20,533	20,596
Total cash reserves	366	334	320	312
Total U.S. Govt. secs.	2,467	2,184	2,184	2,184
Total bills and sec.	2,479	2,194	2,194	2,194
Total resources	20,074	23,658	23,636	23,636
LIABILITIES				
F.R. notes in circ.	4,955	6,218	6,282	6,345
Excess m. bank res.	6,130	5,760	5,770	5,770
Mr. banks res. dep.	12,877	13,506	13,524	13,524
Govt. deposits	512	947	865	865
Total deposits	14,191	16,231	16,220	16,220
Total liabilities	20,074	23,658	23,636	23,636
Reserve ratio	88-1%	91-2%	91-3%	91-3%
BANKS AND TREASURY				
RESOURCES				
Monetary gold stock	18,835	22,482	22,505	22,505
Treas. & bk. currency	3,004	3,118	3,122	3,131
LIABILITIES				
Money in circulation	7,589	8,992	9,071	9,104
Treas. cash and dep.	2,821	3,246	3,148	3,148

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	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
BREWERS		£	£	£	£	£	£	%	£	£	£	£	%
Brampton Brewery	Mar. 31	50,672	...	28,837	63,733	5,500	25,000	10	...	1,663	48,693	31,573	10
IRON, COAL AND STEEL													
Boyer Peacock & Co.	Dec. 31	79,069	12,750	53,377	99,571	...	...	...	...	53,377	79,858	52,519	NH
North's Navens Collieries	Dec. 31	57,811	...	33,811	60,217	2,875	...	...	...	30,938	50,895	33,787	2
Stewart & Lloyds	Dec. 31	1,972,433	571,734	1,003,361	1,190,170	123,431	534,050	12½	350,000	880	1,991,562	1,213,740	12½
SHOPS AND STORES													
Austin Reed	Feb. 20	112,600	20,400	38,625	78,632	30,667	23,534	8	Dr. 6,988	8,588	110,777	54,261	8
TEXTILES													
Coats (J. & P.)	Dec. 31	1,998,699	...	1,884,352	2,249,514	330,000	1,475,000	10	...	79,852	2,289,801	2,187,797	10
TRUSTS													
Anglo-American Deb. ...	Mar. 31	136,276	...	55,538	125,990	16,376	28,631	12	...	10,531	127,137	68,469	12
General Scottish	Mar. 31	59,918	...	21,494	32,261	9,969	7,094	5½	...	4,431	64,535	25,908	5½
OTHER COMPANIES													
Argus Press	Dec. 31	25,412	15,000	Dr. 4,504	3,730	...	...	...	...	4,504	41,759	10,426	NH
Carpet Trades	Dec. 31	120,632	...	39,063	47,583	14,375	12,509	5	...	12,188	44,277	32,650	NH
Laurence Scott, &c.	Dec. 31	145,579	25,352	49,116	54,848	9,170	30,075	15	10,243	372	159,292	78,497	15
Ever Ready (Gt. Britain)	Mar. 31	698,990	...	603,016	675,589	20,000	404,160	40	150,000	28,856	707,830	620,392	40
Red & White Transport	Dec. 31	91,179	...	80,781	147,015	12,198	28,978	11	...	39,605	78,805	71,063	11
Totals (2009)													
Week to May 17, 1941	13	5,549	645	3,892	4,899	575	2,569	...	503	245	5,795	2,479	...
Jan. 1 to May 17, 1941	655	135,777	9,370	68,432	106,609	13,652	45,255	...	6,681	2,814	128,484	74,706	...

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash. Previous year's rate is total dividend unless marked* indicating interim dividend.

Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
INSURANCE					INDUSTRIALS					Pease and Partners				
Atlas Assurance	6/-	10/6	...	10/6	Primitiva Holdings	5 *	...	...	5 *	...	10	...	...	3½
TBA AND RUBBER					Bass Ratcliffe & Co.	15 *	May 29	15 *	...	Rawplugh	30 *	40	...	14
Bandjarsari Rubber	5	6	...	6	Beresford (S. & W.)	6 *	...	6 *	...	River Plate Trust A	9	14	...	4
Dickella Rubber	15	...	12½	...	British Elec. Traction	30	45	45	...	do. B	3	4	...	10
Hanwell Rubber	15	...	13	...	Butler (W.) & Co.	40	...	40	...	Schweppes (Deferred)	10	...	...	3½
Labis Bahr Rubber	6	...	7	...	Calcutta Electric	13	17	18	...	Second Guardian Trust	2	3	...	...
Marud Consolidated	5	...	4	...	Cardinal Investment	14	20	20	...	Simonds (H. & G.)	38	20	...	17½
Panagula Rubber	5	...	3	...	First Scot. Amer. Trust	14	20	20	...	Singleton and Cole	12½	20	...	...
Seremban Rubber	6	...	2½	...	Kayser Ellison	5	May 28	5 *	...	Taylor Walker & Co.	24	5	June 12	8
Sonosekar Planting	4	May 30	2½	...	Lake View Investment	6½	9	9	...	Trussed Concrete Steel	5	7½	...	7½
Sungel Salak Rubber	5	10	5	...	Morrisons (Gowans)	...	15	15	...	Wolverhampton Brew's	5 *	...	...	5 *
Sungel Sengul Rubber	17½	...	10	...										

* Free of Income Tax.

OVERSEA WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week	Aggregate Gross Receipts
			1941	1941
B.A. and Pacific	42	Apr. 19	£1,710,000	£155,000
B.A. Gt. Southern	42	" 19	£2,289,000	£76,000
B.A. Western	42	" 19	£918,000	£16,000
Canadian Pacific	16	" 21	£3,624,000	£1,132,000
Central Argentine	42	" 19	£2,061,000	£400,750

† Receipts in Argentine pesos.

UNIT TRUST PRICES

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

Name	May 13, 1941	Name	May 13, 1941	Name	May 13, 1941
Second Bt. 18/4½ bid		National D. 9/4½-10/4½		Key. Gold. 8/0-9/6	
Lim'd Inv. 12/7½ bid		Century... 10/10½-12/7½		Br. Ind. 4th 10/8-12/0	
New British 7/6		Scottish... 9/3-10/9xd		Elec. Inds. 12/9-14/3	
Inv. Trust. 9/0-10/3xd*		Univ. 2nd. 11/9-13/6		Met. & Min. 13/0-14/6	
Bk-Insur. 14/3-15/9*		Inv. Flex. 8/9-10/0		Cum. Inv. 5/6-6/6xd	
Insurance 14/0-15/6*		Inv. Gen. 11/9-12/9xd		Producers 4/6-5/6xd	
Bank 15/0-16/9*		Key. Flex. 9/11-10/7½		Dom. 2nd. 4/6-5/6xd	
Scotbits... 10/9-11/9*		Key. Con. 8/0-10/0		Orthodox 7/3*	

* Free of commission and stamp duty.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN UNITED KINGDOM (1927 = 100)

	Mar. 31, 1937*	Aug. 30, 1939	Apr. 30, 1940	Apr. 22, 1941	May 6, 1941
Cereals and meat	93.0	66.9	80.0	96.0	97.5
Other foods	70.4	61.1	80.4	91.6	93.2
Textiles	74.2	51.3	88.0	90.9	90.9
Minerals	113.2	77.6	115.9	129.9	129.8
Miscellaneous Complete Index	87.0	77.6	99.3	113.8	113.5
1913-100	119.9	96.8	129.0	143.5	143.9

* Highest level reached during 1932-37 recovery.

"THE ECONOMIST" SENSITIVE PRICE INDEX 1935 = 100

	May 8, 1941	May 9, 1941	May 12, 1941	May 13, 1941	May 14, 1941
Crops	108.5	108.5	108.5	108.5	108.5
Raw materials	173.7	173.7	173.7	173.7	173.7
Complete Index	137.2	137.2	137.3	137.3	137.2
	Mar. 31, 1937*	Aug. 31, 1939	May 14, 1940	Apr. 15, 1941	May 7, 1941
Crops	147.9	92.2	110.6	108.9	108.5
Raw materials	207.3	122.9	108.6	173.8	173.1
Complete Index	175.1	106.4	135.9	137.8	137.9

* Highest level reached during 1932-37 recovery.

will be to make each garment 2d. to 3d. dearer.

Oranges for the Bombed.—Early arrivals of oranges are likely to be insufficient for adequate distribution over the country, and the Ministry of Food has therefore decided that only badly bombed areas will receive them. Arrivals this week will go to Merseyside, Clyde-side, Hull and Belfast.

MERCHANT SHIPPING LOSSES Through Enemy Action

	Feb. 1941	Mar. 1941	Apr. 1941	Sept. 1939 to Aug. 1940	Sept. 1940 to Apr. 1941
British:—					
Merchant ships:—					
Normal trading	265	327	293	1,602	2,227
Naval operations	5	5	17	71	88
Naval auxiliaries	1	1	...	17	12
Naval trawlers	...	...	...	...	...
Total	271	333	310	1,841	2,327
Allied & Neutral	69	163	195	1,299	932
Grand Total	340	496	505	3,140	3,259

* Evacuation of B.E.F., June, 1940.
† Formerly commercial vessels, including drifters

(Continued from page 671)

stockings and one by the Wholesale Textile Association. The Government has nominated Sir Cecil Weir as chairman. Agreements will be made between the Corporation and manufacturers and wholesalers, and the Corporation will guarantee a fair return on sales. The manufacturers are to undertake to dispose of their stocks only on conditions approved by the Corporation, and to make every endeavour to sell them abroad. It is expected that the Corporation will recommend that licences under the Limitation of Supplies Orders should be issued permitting the release for the home market of stockings which cannot be disposed of abroad. It is estimated that about 3,000,000 pairs of stockings—a very small proportion of the normal demand—will thus be released for home use, and they will be put on the market in small quantities. Prices will continue to be subject to the Prices of Goods Act and control will be exercised over retail prices.

Rayon Goods.—As a result of increases in the prices of rayon yarns announced last week, rayon goods are to rise in price. Prices of stockings, underwear, dresses and textiles will rise on May 31st. It is expected that the effect on underwear

THE ECONOMIST

Vol. CXL

MAY 24, 1941

No. 5100

CONTENTS

LEADING ARTICLES

	PAGE
<i>The Economist</i>	675
Men of Vichy	676
Local Government on Trial	677
The Economic War	679

NOTES OF THE WEEK

	PAGE
Offensive Against Crete	680
Iraq: The Fighting Spreads	680
The War Cabinet	680
The Proof of the Pudding	681
No Room	681
The Fighting in Egypt	681
Waiting for the President	682
Organisation of the Ministry of Food	682
The New Fire Services	682
Amba Alagi	682
Balkan "New Order"	682
Tobacco at All Costs	683
War Weapons Week	683
Changes in Spain	683
Eire and America	684
Landlord and Tenant	684
The Small Firm	684
The Finance Bill	684
Westminster—and Elsewhere	684
Shorter Notes	685

THE WORLD OVERSEAS

	PAGE
Germany Over Northern Europe	685
Rice Shortage in the Far East	686
Eire's Courageous Budget	687
American Banking Movements	687
Income Tax for Palestine?	688
Portugal's Colonial Trade	688
German Europe	689

THE BUSINESS WORLD

	PAGE
LEADING ARTICLE	
Imperial Chemical Industries	690

FINANCE AND BANKING

	PAGE
War Weapons and the Money Market	691
Exchange Control in Eire	691
Clearing Bank Statements	692
Central American Accounts	692
Redemption of India Sterling Debt	692

INSURANCE NOTES

	PAGE
Northern Assurance	692
London and Lancashire Insurance	693
Royal Exchange Assurance	693
North British and Mercantile	693
Yorkshire Insurance	694
Caledonian Insurance	694
Provincial Insurance	710

INVESTMENT

	PAGE
EPT Concessions	694
Depreciation Allowances	694
Rio Tinto Problems	694
Shipping Dividends Resumed	695
Babcock and Wilcox Investments	696
United Molasses Report	696
Spinners and Slubbers	696
Two Colliery Results	696
B.A. Western Moratorium	697
Anglo-American Corporation Group	697
THE STOCK EXCHANGES	697
CAPITAL ISSUES	699
SHORTER COMMENTS	699

INDUSTRY AND TRADE

	PAGE
Coal	698
Further Fall in Unemployment	698
The John Lewis Partnership	698
Democracy in Industry	699
Further Ship-Chartering Control	699
Record U.S. Tanker Construction	699
Slump in Cotton Exports	700
COMMODITY AND INDUSTRY NEWS	700

COMPANY MEETINGS

701

CURRENT STATISTICS

709

The Economist

THE statutory period of silence having elapsed, it is now permissible to reveal that the editorial and publishing offices of *The Economist* were entirely destroyed in a recent air-raid. What made the disaster worse was that the printing works in which the paper had been produced since it was forced to migrate by the Great Fire of London on December 29, 1940, were also completely destroyed in the same night. *The Economist* thus found itself without a home, without a printer, and without any preparations for the next week's issue (with the sole exception of one short galley proof carried away by mistake in a compositor's pocket the previous week). Within three days, however, offices had been taken (by a very remarkable coincidence, on the exact spot where *The Economist* started 98 years ago), an entire week's issue had been prepared and the copy handed to new printers. The paper was published promptly, and the staff of *The Economist* like to believe that it took a very sharp-eyed reader to detect that anything was amiss. *The Economist* is probably not the first journal in the country to lose both its editorial offices and its printing facilities in one night, though we believe we were the first in London. It is a privilege to have been given the opportunity of continuing the tradition of journalism: "the paper must come out."

Time has hardly yet permitted an estimate of the losses. But they are very considerable and some of them are quite irreparable. The very earliest volumes of *The Economist* have been in safe keeping since the beginning of the war; but a set of bound volumes running for at least ninety years, and several shorter sets, as well as the complete stock of single back numbers, were completely destroyed. The library of books can be very largely replaced, but the unique collection of statistical sources,

trade returns, pamphlets, periodicals, blue books, reference material and the product of past researches has gone for ever. To a journal such as *The Economist*, this is a very severe blow; much of the material that is needed for the purposes of the paper is not available anywhere else in London; and even if it were, to have it on the spot is essential for work that has to be produced to time-table. Fortunately, no journal has a more faithful body of readers; and their indulgence can be confidently invoked for any shortcomings that may be apparent while the necessarily gradual process of rebuilding the library and records is going on.

Owing to enemy action on the night of May 10th, the Editorial and Publishing Offices of *The Economist* have been moved to

BRETENHAM HOUSE,
LANCASTER PLACE,
LONDON, W.C.2.

Telephone (Temporary): Temple Bar 0082.

Will correspondents and others who are awaiting replies to letters that may have been lost, please communicate with the above address.

The kindness of readers of *The Economist* is also solicited for more direct assistance in the process of reconstruction. Our chief needs (other than for books that can be purchased) are as follows:—

Bound volumes of "The Economist."—One complete set, or as nearly complete as possible, will be required; also three or four sets of recent years.

Back numbers.—Loose back numbers of the last five years will be required.

Reference and statistical material.—Reference books, trade and other returns, collections of financial, commercial and industrial statistics. Those published, and still obtainable, in Great Britain are, of course, easily replaceable, but out-of-print and foreign material will be very welcome.

Government publications.—Here, again, recent British issues are obtainable, but out-of-print volumes, particularly statistical abstracts and trade returns, and overseas Government publications, will be very useful.

Men of Vichy

IT may well be, when the history of these troubled days comes to be written, that the emergence of the Vichy Government as the ally of Germany will be seen as an almost undiluted advantage to the cause of Britain—and of France. The final step of military collaboration was inherent in the position adopted at Montheore, for in total war the fine distinction between economic and military collaboration is hard to draw and impossible to maintain, even when the will to resistance is far more marked than it has been among the men of Vichy. Surely, therefore, it is better that this policy of "collaboration" should appear openly for what it is rather than that it should continue to masquerade in a twilight zone of false neutrality.

Almost from the first, Vichy-France was a leakage in the British blockade and anything up to 60 per cent of the cargoes arriving at Marseilles went on to Germany. More recently, there has been evidence of French supplies, particularly of oil, reaching the Axis forces in Libya—a good example of the confusion between economic and military assistance. The despatch of oil across the frontier is perhaps an economic act. It is also as military as the despatch of refuelling lorries to the battlefield.

Since the beginning of the year, collaboration in industry has gone daily further. Through their control of raw materials, the German officials in Paris are in a position to control industry throughout France, and all the evidence suggests that they have found willing collaborators among the great industrialists. The recent negotiations, in the course of which, presumably, the aerodromes in Syria were given up, largely turned on the transit of materials across the frontier between occupied and unoccupied France, the reduction of the cost of occupation, and the release of French prisoners for work at home—economic concessions, for all of which a military concession was made in return. Now that by gentle gradations Vichy has passed across the No-man's land of para-military co-operation and entered the enemy lines, there is clearly no sphere in which Great Britain can rely upon its continued "neutrality," Marshal Pétain's broadcast statement that in collaboration with Germany "France would preserve her continental and colonial status," opens the door to joint action in North Africa and to co-operation—already threatened by Admiral Darlan—between the French and German navies.

The period of deception is over. Vichy is at last clearly and unequivocally the enemy of Britain. But it is an enmity the British people find hard to understand. The last period of hostility—under Napoleon—was after all with a France battling for European leadership, not cringing as now for a safe job in the racket of Nazi Europe. And since the Vichy regime is a manifestation of an unknown France—a France which we may devoutly

Periodicals.—Recent back numbers of periodicals, circulars, etc., containing statistical and other records, would be valuable.

If any readers have any of the above and would be willing to dispose of them, they would be rendering a real service to *The Economist* by writing to the new address (which is given on previous page with precise details of what is available. Readers are asked not to send anything without previous correspondence.

From those friends of *The Economist* who had heard of the disaster, many kind expressions of sympathy have been received. So far as they bear on our material loss, we are grateful for these. But by far the most precious possessions of *The Economist* are the good-will of its readers and the very proud tradition it has inherited from James Wilson and Walter Bagehot. Neither of these possessions has been, or can be, touched by Hitler's bombs.

hope only lives in the minds of a very few Frenchmen—the policy pursued by the British Government during the last eleven months can to some extent be understood even if not condoned.

Is it not possible that the Government's errors of weakness and complacency towards Vichy, and of somewhat hesitant support for the Free French, sprang from an inability to believe that any French leader could see in the German invader anything but a hated enemy, or that the policy of Vichy could in the long run mean anything more than "to bleed awhile, then rise and fight again"? Yet there are two conceptions of French security and French interests; one is the normal and honourable interpretation which unites the fate of France with the free civilisation of the West and the immediate salvation of France with the liberation of the country from the invading Boches. This is the conception of French honour and French interest which is bringing week by week a stream of volunteers to join General De Gaulle.

The other interpretation—it is perhaps naturally the interpretation of old, discouraged, fearful and miserly men—accepts the view that Europe must be unified by Germany, that France's hope lies in conciliating the old enemy and in fitting her economy into the needs of the Reich. In return the men of property, the bureaucrats, the colonial officials will enjoy the security which business men enjoy when they have made their contribution to the local racket. Only, in their case the contribution is the substance of France. They have been encouraged in this passive acquiescence by years of skilful Nazi propaganda in which the "dangers" of liberal democracy to property were linked with the "menace" to France of the world leadership of a liberal and bellicose Britain. The struggle for France's freedom against Germany was twisted into Britain's attempt to fight a war with the manpower of France and to keep the Continent weak by perpetuating—at the cost of war—the enmity between those two "natural allies," France and Germany. The tale sounds fantastic. It is; but it is also believed—in Vichy.

Since the collapse of France, the Germans have been in a particularly favourable position to play upon these feelings of resentment against "Britain, the warmonger." Oran and Dakar, the blockade, air bombardment, war dislocation—all these could be laid at the door of the British people and their obstinate determination to carry on the war against a unified Europe, which was only waiting for the end of Britain's insane onslaught to organise prosperity under German leadership. The men of Vichy had accepted "the logic of events" and had surrendered in the belief that Britain's surrender would follow. The continuance of the war and, above all, the allegiance of certain colonies to General De Gaulle, were a reproach and a challenge which the Vichy regime was not prepared

to face. Against this background, the persistently carping and hostile tone of the Vichy radio and Press, the readiness for economic collaboration with Germany, the extension of collaboration to the colonial sphere are understandable. The difficulty for Britain is to grasp the background.

British policy has been based in the first place on respect for an old ally with whom Britain has shared the fortunes of two wars against a common enemy. It is probable that policy has also been influenced by the underlying idea that Frenchmen can really only be thought of as sharing the De Gaulliste conception of French honour and interest. It was assumed on the British side that where resistance was still possible, as in North Africa, the leaders would veer to resistance once the shock of collapse had passed, and that, even in occupied France, the terms of the armistice would set rigid limits to collaboration. That generals such as Weygand should prefer surrender seemed inconceivable, that leaders such as Darlan should positively desire to subject France to Germany even more so. British policy, in short, appeared to cling to the belief that Vichy was De Gaulliste at heart, and that everything should be done to hasten the hour of resurrection.

The Laval tragi-comedy did not modify this belief. Whatever the real facts of the case, it can be seen now that the change of leadership has not fundamentally affected Vichy's policy. Laval's dismissal seemed at the time to be an assertion of independence by Marshal Pétain against the Nazis. Subsequent events make it look like little more than an internal struggle for power.

The British tendency to misread the men of Vichy was reinforced by the policy of Washington. The Americans, with memories of Lafayette and the Great War intermingled, are even further removed than the British from the notion of a puppet France. The State Department, by its despatch of Admiral Leahy and by its assistance in the initiation of negotiations with French leaders in North Africa, was basing its policy on the belief that there were men at Vichy who could be rallied to love liberty and honour better than enslaved security. But there were no such men, and as a result the policies of Britain and America alike have given an impression of weakness and uncertainty.

There are, however, welcome signs that the episode of hesitation is at an end. From America has come President Roosevelt's message to the people of France which, ignoring the Vichy Government, appealed for national resistance to a policy of collaboration with Germany. The speech was followed by action—the placing of guards upon all French ships in American harbours. Further steps are likely to include the freezing of French assets and joint action with the other American republics to ensure that the French colonies in the Western Hemi-

sphere are not used by the Axis; there was even a hint in the President's remarks that America's interest extended as far as Dakar. To the statement made later by M. Henry-Haye, the Vichy Ambassador in Washington, that France would "defend" her dependencies against the United States, the general American comment is that France is ready to fight anyone—except her enemies.

Now, with the flagrant readiness of Vichy to accept its satellite rôle and the change of policy at Washington, it is surely possible for British policy to throw off any inhibitions with regard to Vichy-France. Only one deterrent remains—the fear that an open clash might alienate the people of France. But the people of France are less sophisticated than their self-appointed leaders. For them the German, in occupation of two-thirds of their dear country, is a more evident enemy than the British who fight to defeat the German. Every report from France gives fresh evidence that, whatever the failures of their Government, the people of France are neither old nor discouraged nor fearful nor corrupt. On the contrary, a *mise-au-point* between Britain and Vichy, far from harming Britain, might well have a fatally damaging effect upon Vichy's prestige. If there is any excuse for Vichy, it is that it is sparing a section of the French people the horrors of war. If by joining Germany Vichy ensures that these horrors are again unleashed, the average Frenchman may well ask on what mandate the men of Vichy abstained from war for just long enough to bring their country in on the wrong side.

The British Government, in adopting a more positive policy *vis-à-vis* Vichy, has two obvious and immediate duties. On the one hand, more active and definite support should be given to General de Gaulle. It is welcome news that, under a new agreement, the arrangements already made to secure the economic life of the Cameroons will be extended to French Equatorial Africa. The British Government are to buy up practically the whole output of the colony and to give the Free French authorities sufficient credits to cover the import of essential goods from the sterling area.

The other immediate task is to take the necessary precautions—if this has not already been done—against the day of active French participation in the war. There is ominous talk in Vichy of the necessity of "reconquering" the Free French colonies. It does not follow that the British Government must take a bellicose initiative, merely that, as Mr Churchill has promised, Britain will fight the Nazis wherever they show themselves, even if they appear convincingly disguised as men of Vichy. General Dentz has been pleased to call British attacks upon German-occupied aerodromes in Syria acts of "unprovoked aggression." This is the kind of aggression that must continue at all costs.

Local Government on Trial

THE Fire Services (Emergency Provisions) Bill has been treated as a matter of urgency by the Government; and all the fire brigades in the country are to be run on a regional basis under national control. It is not inconceivable that this may serve as a useful precedent for a much wider reform of local government. The fire services require drastic change because control over them is widely scattered among a crowd of local authorities which differ widely in size, competence and resources. Co-operation is difficult, and there are no common standards of equipment, personnel and operational training. Faced with warfare by fire, too many of them have been proved slow, cumbrous and inefficient.

These failings are not peculiar to fire-fighting. Air raids have brought other local services under questioning. In London, the intensive attacks of last autumn made it necessary to appoint special regional commissioners to be responsible for public utilities, shelters and homeless peo-

ple; and, wherever there has been bombing, local arrangements for the distribution of food, for emergency evacuation and for transports have been found more or less insufficient. It is, of course, possible to argue that these are purely wartime difficulties. Local government, it is argued, has been faulty because it was only organised for the tasks of peace. An analogy is drawn between civil defence and the active fighting services, and it is claimed that, just as there are commands in military organisation, so must there be regions for all the aspects of ARP. There is considerable force in these contentions, but they only go part of the way. The need for regions or commands in ARP is unquestionable; but these local shortcomings, to which the special urgencies of air-raid conditions have given a unique significance, are also part and parcel of the normal peacetime system.

It was no arbitrary choice which gave the agency for protecting public services and welfare in raids to the local

authorities. It could scarcely have been otherwise, because public services and public welfare are the care of local authorities in ordinary times; any other arrangement would have involved a readjustment of their old as well as their new functions. In the case of fire-fighting, a wholesale readjustment of this sort has now become inescapable, and the obvious question is whether the same kind of change will not sooner or later be needed over a much wider field. In war-time, inefficiency stands out in relief; but, even in peace-time, local incompetence and delay were frequent and characteristic. There were wide and inequitable discrepancies between the work of one authority and another, in public health, education and the other services.

It is generally agreed that for the fire services, and indeed for most branches of civil defence, regional organisation under active central direction is the remedy. Under the burden of ARP, local government—the self-contained administration of the smaller units of district and borough—has widely collapsed; and it would be foolish and mealy-mouthed to deny this. But this collapse under fire is symptomatic of a deeper disease. At the best of times, local government tends to be lame at many points. Neither in its structure nor in its system of financing was it ever designed, even after its remodelling in the nineteenth century, to shape the welfare of the nation in a positive way; and changes in communications, in the technique of industry and the public services, in the responsibilities of government and in the distribution of the population have not made it more apt. Many of the units of local government are too small; they lack the resources of finance and personnel to carry out their duties; and, again and again, the boundaries between them have no more than a formal, administrative meaning. The point is that some measure of regionalism is required for local administration at large, no less than it is demanded for ARP.

This is not a question of destroying local liberties, but of securing governmental efficiency. Very largely, local autonomy is a myth already. Local authorities do what they are empowered to do by statute and what they are instructed to do by departmental order. Only in "permissive" matters, in matters left to their option by Parliament and in local matters such as scavenging or the establishment of public libraries, nursery schools and swimming baths, have they any really free choice; and in most matters of national importance, such as education, public health and highways, they are, up to a point, merely agents, responsible for maintaining minimum standards centrally laid down. The trouble is that too many are inefficient agents, too incompetent or too poor to do their job.

As a result, there are these sharp differences between district and district in the discharge of vital duties; and it is impossible for the central authorities to set their standards high. If in each of the great urban clusters there was a regional authority to set a common standard; if everywhere town meets country there was a common administration to apply a policy of positive development; and if every local body were designed to possess the resources needed to do its essential work—the whole level of English government could be lifted, without detriment to any of the traditional liberties of Englishmen.

It would be impossible in a single article to describe the kind of regional authority that would solve these problems. Clearly, there is something like a prototype in the London County Council as it might be strengthened by the need to cure London's ills. Clearly, too, there is the chance of experiment and actual progress in the existence of the war-time defence regions and their commissioners. These regional administrations were set up as "shadows" to reproduce the departments of central government in an extreme emergency like invasion; they may prove more important for darning and unifying local government. The present gap between the central and local authorities is too wide. Apart from the governments of some great cities; apart from many of the more efficient counties, who already do a regional work in

supervising and directing the urban and rural authorities below them; and apart from a few well-balanced and middle-sized towns whose resources do match their duties—apart from these exceptions (which in a sense are examples) the need is plain for a new type of regional authority and for a new allocation of administrative tasks between national, local and regional. The description of these authorities, the definition of their tasks and, above all, perhaps, the working out of some new system of "provincial" finance and taxation, to replace the present vexatious and hampering system of local rating, all need articles to themselves. It must be sufficient here, in anticipation of this fuller treatment, to state in general the case for regionalism. It is, quite simply, that local agents of government are needed with the power and resources to govern.

It is not a political question, but an administrative one, a question of finding ways and means to carry out tasks approved by Parliament. Power to act is a *sine qua non* of all government, whether it is free or dictated, and the problem in this instance is simply to discover the right size of administrative unit to act in. The question of political responsibility does, of course, arise, but ultimately it belongs to Parliament. It is true that, where there is local choice and local taxation, there must be a corresponding measure of local representation and local responsibility; there is no reason why the present elected local councils should not remain and no more reason why they should not be supplemented by regional councils, directly or indirectly elected. There would be advisory councils in the regions, representative not only of the constituent local authorities but of the central departments as well. But the point is that whether the regional officers received their authority from above or below or both, they would need power to do their job. All government, local, regional or central, must be popular, it is true; that is, responsive to popular control; but it must no less be effective and efficient.

There can be too many checks and balances in government. Local representation at one end of the chain and central supervision at the other can both become fetters; and local government at the moment is something of a sad example. Small emergency committees of councillors are in charge in most local areas for the duration of the war—not the best and most competent councillors, but representatives of the various parties. Moreover, the will to act is lacking, as well as the resources; there is constant reference to higher authority at every point in the chain, and a persistent reluctance on the part of central officials either to free local hands or to compel local action. These dangers lurk in every large and scattered unit of organisation; they are as evident in the Civil Service itself, in the Services and in big business, as they are in local government. The processes of "passing the buck" and delaying action are congenital diseases of administration, and they are only more apparent in war-time because the exigencies of the hour are plainer.

The danger in democracy is that, because of checks and balances, nobody will be encouraged or even allowed to act; just as the danger in bureaucracy is that nobody will be in a position to act because of the maze of "proper channels" to be threaded. Yet, in Parliamentary England, there is a unique chance to escape these dangers. There are no written safeguards to the constitution, and Parliament can devise and empower the best means of government at will. Local government there must be, because all government must finally be applied at a local point; and it must be fed by local talent and infused by local spirit and patriotism. But it must be accomplished and effective government—which is the true case for regional authorities with ample reserves of finance and personnel to draw upon, and with assured authority. So long as the powers of government are defined and given by the people's representatives, and so long as the exercise of these powers can be scrutinised, criticised and, if need be, withdrawn by the people, power to act can safely be awarded to all governors at every point without detriment either to civil liberties or to the dignity of higher authority.

The Economic War

SECRET sessions of the House of Commons are usually a signal that there is general anxiety about some aspect of the Government's policy. To this rule the recent debate on the conduct of Britain's economic war—the blockade—was no exception. Few topics of the war have aroused so much discussion on both sides of the Atlantic; and there are few questions which are submitted to such varying interpretation. For many, the blockade is still the decisive front. The argument can still be heard that the German economic system and with it, German morale, are strained to cracking point. A few more turns of the screw and the great, overblown Reich will fall to pieces as it did—so the argument runs—in 1918. The vast expansion of Hitler's conquests, however, and the possibility growing to a likelihood that he will soon control the raw material resources of Russia, have created a new type of criticism—that the blockade is inevitably ineffective and that the use of the Navy to carry it through is a waste of Britain's inadequate naval resources.

The truth about the blockade probably lies in between these two extreme views. It is quite false to suggest that the German economy is likely from one day to the next to crack under the strain of shortage and dislocation. The plunder of Europe has undoubtedly eased the economic position of the Reich. There is no problem now of insufficient supplies of iron ore and bauxite, to give only two essential metals. The labour shortage, which is in part created by the blockade, since the production of synthetic materials requires more man-power than the import of the materials themselves, has been mitigated by the reserves of foreign labour upon which the Reich can draw. The problem of transport, too, must not be entered only in the debit column. Complete control of the European system of communications has created for the German executives a more flexible system of alternative routes and the rigid restriction of passenger traffic sets free motor-power and rolling stock for military purposes.

In this context, it may be said that the conquest of the Balkans and the opening of the Straits and of Greek waters to German seaborne traffic from the Black Sea States—particularly Roumania and South Russia—have obviously had a mitigating effect upon transport problems. The railways to the Russian frontier and the Danube were notorious bottlenecks. These can now to some extent be avoided. Of all the commodities affected by this change, oil is incomparably the most important. A general estimate puts the amount of oil Germany can secure from Roumania and Russia during 1941 at 4 to 5 million tons. To this must be added the supplies in Poland and Albania and Europe's synthetic output, giving a total of some 12 million tons. Even though this falls short of the minimum wartime needs of German Europe—the usual estimate is some 18 million tons—the Nazis may hope by pressure to increase Russia's deliveries—and Mosul now lies on the fringe of the fighting.

Nevertheless all is not well in German Europe. From every kind of source come reports of this or that stringency and the total effect is of an economy which, though functioning strongly, is submitted to a steadily increasing strain, the shortage of materials increasing the need for labour for substitutes, the migrations of labour reacting on the transport system, the inadequacy of the transport system increasing intense local shortages of vital supplies. One curious consequence of the general dislocation is the fact that German Europe is often short of supplies which are in fact produced in abundance. So great is the demand made by synthetic production upon coal and timber that the fuel situation in the whole empire is an ugly problem waiting for the autumn and the snows.

The shortages are illustrated by the increasing restrictions on all kinds of civilian consumption, even the most essential. The oil gap, discussed above, is made good in

part by synthetic output. Even so, the Germans, as Josef Winschuh admits, are living on their reserves. Buna production cannot cover more than one-third of Germany's wartime needs or rubber; as a consequence since last February bicycle tyres have only been supplied to tradesmen—a blow, perhaps, to *Kraft durch Freude*. The systematic calling in of the nickel coinage in Italy and France and the anxious notices in the German technical press are evidence of a shortage of ferro-alloys. The need to substitute aluminium for copper has led to congestion and delay at the aluminium reduction plants. The canning industry in occupied territory—particularly in Norway—is barely able to continue production, so short is tin and tinfoil, and even in Germany housewives have been advised against keeping food for long in tin-substitute packings. The possibility of building up family food reserves—a factor, surely, in morale—is seriously affected by this shortage.

The most serious civilian shortages are, however, textiles and leather. The German cloth hunger is well illustrated by the speed with which textiles disappear in occupied territory. In Roumania, clothiers are closing down for lack of supplies and complaints have appeared in the Hungarian Press that textiles have entirely disappeared from the shops in Budapest. The list could be multiplied to cover most of the necessities and conveniences of civilian life, and the news that on July 1st further cuts will be made in the German rationing system is evidence that the plunder period of relative plenty is now at an end. The rationing as it stands to-day is meagre enough.*

Substitutes and synthetics are swallowing up man-power. Germany's search for further labour is incessant. Over one and a-half million foreign workers, apart from prisoners of war, have already been absorbed. The retraining centres for armament work are now almost entirely given over to foreign operatives, and the practice of making a ration card dependent upon willingness to work is being more widely adopted. The position is very delicate, for the extraordinary widespread reports of consistent sabotage—arson (mainly from Poland), carelessness, ca'canny, machine wrecking, de-railing—suggest that there is a point beyond which foreign labour power cannot profitably be used. It might be called a "supervision maximum." If one German is needed to supervise every two Czech workers, the absorption of Czech workers must be limited by the available number of Germans and the whole reason for employing Czechs is the limited supply of Germans.

Finally, in transport, the blockade, by destroying the seaborne traffic of Europe, has created an almost insuperable problem which all the juggling in the world with alternative internal rail, road and canal communications cannot solve. The fuel shortage is another obstacle to efficient transport, and the strain on the transport system has even put a check on the movement of western industry to safer quarters in the Eastern Reich.

This then is the awkward and uncomfortable position of the German economy. The friction and dislocation largely spring from the blockade—to which must be added the complementary bombing by the RAF of synthetic production plants, armament factories and communications. As Mr R. W. B. Clarke wrote in his Oxford pamphlet† some time ago, the blockade does not crack the German economy but it makes it "brittle." This is still true to-day.

* German rations for adults (per week): Bread, 5 lbs.; meat, 2½ lbs.; sugar, 8 ozs.; fats, 9½ ozs.; coffee substitute, 3½ ozs.; cheese, 2 ozs. Milk, honey, cocoa and eggs are also rationed and there is a general ration of 5½ ozs. to cover various forms of *Nährmittel* (semolina, rice, etc.). These quantities, of course, are inclusive totals; they cannot generally be compared with British figures, which exclude food eaten in restaurants, etc.

† *The Blockade*, by R. W. B. Clarke. Clarendon Press, 3d.

It follows that there can be no question of abandoning the blockade because it is "no longer efficient," or because it makes "too great a strain upon Britain's naval resources." It will not bring victory of itself, but victory will be impossible without it and it can be surmised that at the conclusion of the secret debate on May 15th, the Minister of Economic Warfare was urged to intensify to the utmost extent Britain's pressure upon German Europe.

There are still two principal leakages, through Marseilles and through Vladivostok. The problem of Great Britain's policy *vis à vis* Vichy-France, so urgent a few weeks ago, is likely to settle itself now that the Darlan regime has committed itself to a flagrant policy of economic collaboration with the Germans. Nor does it seem that the fear expressed at the time of Admiral Darlan's threat of convoys—that under pressure from the United States the British Government would weakly accept a modification of the blockade—has been justified. Such leakages as have continued of goods from North Africa, and, more treacherously, of oil and supplies from Tunisia to the Axis forces in Libya—have probably been due not to weakness in policy on the part of the British Government but to the physical inability of the Navy to be everywhere all the time. This difficulty will, for the time being, continue.

The leakage through Vladivostok is not susceptible to direct British action. The goods which have reached the port for transport across Russia were largely of Japanese, United States and South American origin, and the only completely effective blockade would be one that

stopped these supplies at their source. The Japanese exports depend to some extent upon the volume of supplies coming to Japan from the American Continent, and one of the most encouraging aspects of the blockade is that the United States Government has progressively—by means of its system of export licences—reduced the volume of war materials leaving the country. The flow is probably unimportant by now. The problem of South America remains, but the leadership and influence of the United States are likely to be effective in reducing the despatch of hides, grain, copper, tin, platinum and other supplies across the Pacific. There remains, too, a possibility of action in withholding the bunkering facilities of the Pacific (largely under British and American control) to all ships outside the new United States pool of merchantmen.

Like so many other problems of the war, the question of the blockade has moved from the purely British sphere to that of Anglo-American collaboration. The immediate naval blockade depends upon the available resources of the Navy. American co-operation would reinforce Britain's naval strength sufficiently to transform the situation at Gibraltar and in the Mediterranean. The most effective long-term blockade is a blockade imposed at the source, and the American Continent is the major source of all extra-European supplies. If America and Britain agree, economic warfare will be effective. One of the most encouraging features of recent weeks is the evidence that Washington, after months of some uncertainty, has made up its mind to assist Britain in carrying through the policy of blockade.

NOTES OF THE WEEK

Offensive Against Crete

Early on May 20th the Germans launched an airborne attack upon Crete, seat of the free Greek Government. For some days before, concentrations of aircraft in Southern Greece and the Greek islands had been observed. About 3,000 parachute troops appear to have been dropped on the first day and most of them were successfully mopped up. What has happened thereafter is, at the moment of writing, not clear. The task of the parachute troops was presumably to capture one or more airfields, so that the somewhat cumbersome troop-carrying planes could make a relatively secure landing with reinforcements. The RAF is handicapped in Crete by the lack of fighter aerodromes and it may be that a certain number of airborne troops have been landed. Fierce fighting is going on. It is tempting to wonder whether the attack on Crete by airborne troops is a small-scale rehearsal for a larger invasion in other seas. The situation is not a real parallel. Neither side can muster the force that would be available on both sides of the English Channel, and the defences of Crete are very rudimentary compared with those of England. Nevertheless, there is this element in common—that the Germans must rely almost entirely upon landings and reinforcements from the air and can make little use of the sea. If the attack on Crete is held, the likelihood of an invasion of England may well become distinctly less. However, this preliminary attack is not necessarily the main thrust at Suez. In a real offensive the Germans would surely wish to stage a joint attack from Iraq, Libya and Crete, and while they are held at Sollum, the Rashid Ali revolt is far from having reached a stage at which Iraq could be used as a German base for a land offensive. The attack on Crete may therefore be a feint or an attempt to gauge the strength of the defences. An interesting indication of what Britain may expect in the event of invasion is the report that the German troops landed in New Zealand battledress. If this report is true, they should, according to the laws of war, be shot as spies.

Iraq: The Fighting Spreads

On May 15th, after a week during which reports—one may trust that they were not officially inspired—were circulated to the effect that the situation in Iraq was "stabilised," the British GHQ Cairo announced that in

reply to Rashid Ali's appeal to the Axis Powers, a certain number of German aircraft had been flown to Iraq, using Syrian aerodromes as refuelling stations *en route*. The news can hardly be said to have come as a surprise, since the whole trend of Vichy policy in recent months has been towards making any concessions the Germans might care to demand and the *dénouement* of a Syria used as a German air base for attacks on the Allies was already inherent in the situation last July when the French Army in Syria decided to remain under the orders of Vichy. Since that time the morale of both the French and the Syrians has steadily declined. A section of the Syrian population has become a prey to Nazi agitators urging Syrian "independence" against the imperialist tyranny of France and Britain, while the French military authorities, though crushing the frequent movements of De Gaulle's in the colony, have sunk to a level of anti-British malice that even Vichy has been obliged to denounce. General Dentz, explaining away the presence of German aircraft with consummate hypocrisy by describing them as aircraft in distress which had been sent out of the country with all speed in order to preserve Syria's neutrality, has threatened reprisals for Britain's "unprovoked aggression" in bombing German aircraft lying on Syrian bases. Vichy has modified his threat and declared that the bombing was not an act of aggression. General Dentz's ignominy is not, however, confined to words. There is evidence that French munitions and aircraft have been despatched to Rashid Ali. To all this connivance and treachery, there is only one answer, vigorous action. German aircraft have not yet arrived in sufficient quantities to turn the scales in Iraq, although they are already raiding British positions. Nor are all the French of the same kidney as General Dentz. Weakness or hesitation on Britain's part at this juncture will ensure that both Iraq and Syria slip into German control. It is therefore a welcome sign of decision that offending Syrian aerodromes are being heavily bombed. It is the only language that makes sense.

The War Cabinet

Last week in the Commons Mr Churchill turned down a suggestion by Mr Mander that the War Cabinet should be reconstituted to include "representa-

tives" of all three major political parties. It is, of course, unquestionable that the Liberal leader, Sir Archibald Sinclair, who was in the questioner's mind, would be an acquisition in the inner circle; but there can still be no doubt that the Prime Minister's refusal of the general proposition was wise. Ideally, a War Cabinet would be representative, not of the party hierarchies, but of the nation's will and skill; and it is already a weakness that the present body retains traces in its membership of the party bargain which ushered it into the world. The most powerful plea in the argument of the critics who are calling for a New Model Cabinet, freed from departmental connections and drawn from the talent of the entire British Commonwealth, is the claim that, if the widest possible field of choice is drawn upon for statesmen, the nation's leadership will be correspondingly uplifted; and any attempt to represent parties or even States or national groups, regardless of statesmanship, is bound to be weakening. Mr Churchill is undoubtedly right when he claims that the co-operation of all parties has been helpful in finding Ministers; and it is common-sense for the Government to consult closely with the party leaders. But the function of an executive body is to be efficient rather than representative. In one other detail, however, the Prime Minister's reply was somewhat strange. The inclusion of all the three Service Ministers in the Cabinet, he said, would be in contradiction of the principle of a small body of non-departmental Ministers—a principle which, as it happens, Mr Churchill, in both speech and practice, has repudiated several times. Actually, the present War Cabinet, with Lord Beaverbrook, Sir John Anderson and Mr Attlee without departments, as well as Mr Churchill himself, and Lord Halifax in America, is nearer to the Cabinet that the critics want than the Prime Minister's utterances suggest. The trouble is that Mr Churchill is short of men, and he does his best, at the departments and in the Cabinet, with what he has. It is only a pity that he can entertain no proposals to broaden his choice.

The Proof of the Pudding

Discussions about war production are still too much concerned with administrative machinery, and there is some danger that this week's secret debate in the Commons on war supplies may have found many of the critics barking up trees which are already dead wood. In the Production Executive of the War Cabinet, in which the new Minister of Aircraft Production has replaced his predecessor, there now exists a Ministerial body which is capable of marrying the supply departments' requirements with the nation's known resources in the sort of output programme which strategic needs require. Lord Beaverbrook, as the Prime Minister's deputy in the supply sub-committee of the Defence Committee of the Cabinet, should be in a position to insist that a satisfactory programme is made and obeyed and that the needs of strategy, in the industrial field, are steadily satisfied. There is not universal agreement that Lord Beaverbrook is quite the best choice for this mission; but if the arrangement is taken as it stands, the only doubtful point about it is whether the Minister of State, if, in fact, he is to preside in this way over production and priorities, should not also preside over the Production Council in place of a Minister with departmental ties. If there is still a short-fall in production—and there is an appreciable amount of evidence, including the present reluctance or inability to take on fresh labour in bulk, to suggest that this so—it is not for lack of suitable executive machinery. The trouble is not that production is not well enough "organised," but rather that it is not well enough carried out. There is a gap somewhere in the translation of requirements and programmes into the finished goods of war; and the fault here is probably not so much one of direction as one of control.

There is still not sufficient assurance that the war goods planned will be delivered. In some directions, there is probably too much control. Manufacturers, it is said, are seriously hampered by the need to refer constantly to civil servants in London; they cannot get on with their job. In other directions, almost certainly, there is too little control. The Government has powers to enforce decisions on firms and individuals and to impress labour and other resources; and it is too frequently unwilling to use these powers to

remove obstacles or widen bottlenecks. It is often charged by industrialists and engineers that the civil servants have not yet learned how to check the actual progress of output in the factories, in order to keep it at speed and in balance; they speak of an over-reliance on paper forms and an inability to maintain an informed running control over what is actually going on without holding output up. The charges may well be overstated, but these are the niggers in the woodpile—rather than the more empyrean considerations of Cabinet organisation. In fact, these shortcomings seem to be chronic in war government: the failure to provide authoritative ways of getting things done; and the absence of that sense of urgency which makes it plain that, unless they are done, disaster may befall.

No Room

Of the women who have registered for war work—429,820 born in 1920 and a preliminary total, excluding late registrations, of 281,961 born in 1921—about 125,000, or approximately one in six, are to be interviewed for recruitment. While the proportion is perhaps not so small as was at one time feared, the total is very far from large when it is compared with the needs of the war industries and the services for women recruits. It may, of course, be argued that this is the crop of only two age groups, but there is no indication that any further registrations are planned for an early date; and, meanwhile, the real damage has been done. It has been laid down, almost as a rule, that women in full-time paid employment of any kind will not be expected to move into war work. From this, and from the application of the same principle to the men over military age who have registered, it is clear that the intention is to staff the expanding war effort with the unemployed and unoccupied. No transfer of personnel from civilian to war work, it seems, is to be attempted, except in so far as the deliberate curtailment of civilian industries, which only affects a limited section of non-essential employment, releases labour. It is, of course, sound policy to find recruits by setting them free in this way, and this was one of the earliest suggestions made by *The Economist* for the mobilisation of labour. But "telescoping" cannot be sufficiently general, comprehensive and quick-acting to produce all the workers that ought to be wanted. In this week's secret debate in the Commons on war production the Government no doubt quoted figures of its achievements and compared them with the past. Those critics who are troubled about the rate of output and the tempo of planning could not have done better than to cite the considerable evidence which now exists that fresh workers are not wanted in any great numbers for the near future. At any rate, the impetus to volunteer is being given a sharp setback by the impression that men and women in work are not wanted. There is still no room for them.

The Fighting in Egypt

The week's fighting on the Egyptian frontier has been on the whole very favourable. The garrison at Tobruk has been reinforced and the outer defences have been further consolidated. At Sollum, a sudden drive by British mechanised forces led to the capture of Sollum and the difficult Halfaya pass. The attack was pressed home as far as Fort Capuzzo, but here the Germans counter-attacked and the British units were compelled to withdraw. Sollum is still in British hands, and some 500 German prisoners have been taken at a cost of only 100 British captives. A slight advantage remains with Germany's forces, and the whole manoeuvre is obviously more satisfactory when it is taken in conjunction with Germany's past boasts and present policy. The drive for Suez may well have begun with the attack on Crete, and it would obviously have been strategically more satisfactory to the Germans if they had already advanced, say, to the railhead at Mersa Matruh. As it is, their advance forces have received a definite check, and, while Tobruk holds out, the menace to their lines of communication continues. Air activity has, as usual, been largely confined to British attacks upon Libyan aerodromes and harbours and upon transport and supplies. More material is obviously being brought up under difficulty, and plans for a new offensive are no doubt dependent upon the news from Crete. Nevertheless, the recapture of Sollum is reassuring evidence of

the quality of Britain's frontier force. It can only be hoped that the flight of the Egyptian General Aziz Ali el Masri in an attempt to reach a country under Axis control—Beirut is believed to have been his destination—is not a sign of widespread Fifth Column difficulties in the rear. After a forced landing, the General is still at large. It will be interesting to discover on his recapture what type of documents he considered to be most useful to the Germans.

* * *

Waiting for the President

There is an air of great expectancy in the United States as the broadcast speech that the President is to make this Saturday is awaited. Mr Roosevelt himself has built up the tension. He has encouraged the members of his Cabinet to make speeches which, if they were repeated with his authority, would carry the official policy of the United States Government far further than it has yet gone. He has let it be known that something is brewing, without saying what—except for the significant frequency of his references to the Freedom of the Seas, the traditional American policy from which the Neutrality Act so ostentatiously departed. He has waited until there are almost frantic accusations against him of delay and indecision and dilatoriness. There is every reason to believe that he will now once more reassert his leadership, which has taken the American people a very long way since last November, without ever once seeming to push them. A few weeks ago the debate ranged over somewhat narrowly naval policies: to convoy or not. But latterly (and this is perhaps the President's intention in waiting) the range of ideas has broadened out, and Vichy's new subservience to the Nazis has, more than any other factor, brought discussion back to the grand strategic plane. The next step in American policy now seems likely to be something far wider than the change of patrols to convoys. Psychological preparation for such a move, as well as the physical necessities of an ever more dangerous world, lies behind the announcement of the creation of a new Office of Civilian Defence, to be in charge of Mr La Guardia, the Mayor of New York, who is also Chairman of the United States-Canadian Joint Defence Board and (like many of Mr Roosevelt's emergency appointments) a titular Republican. The lengths to which it will be found necessary, in a country like the United States, to carry ARP measures will have to be found by experiment, and the announcement that the new organisation is to be run on lines similar to those built up in this country under the Ministry of Home Security is more of a compliment than an exact description. But nothing is more likely to "bring the war home" to the American people, both literally and metaphorically, than talk of shelters, gas masks and fire fighting.

* * *

Organisation of the Ministry of Food

An interesting reorganisation of his Ministry has been announced by Lord Woolton this week. It may be recalled that the Ministry of Food, like the other great trading department, the Raw Materials Department of the Ministry of Supply, was organised at the onset of the war on the principle of recruiting controllers for the various commodities from the trades concerned. The chief reason for so doing was, of course, to take advantage of the detailed knowledge and experience of the men selected. But the defects of such a system are no less apparent and have been frequently emphasised and re-emphasised in these columns. Indeed, it was obviously impossible to leave these Controllers—who could be described as ex-partial rather than impartial—without any oversight. In the Ministry of Supply there is a complete dual structure, with a section of the Ministry, staffed by temporary and permanent civil servants, corresponding to each semi-autonomous Control. In the Ministry of Food, the Controllers were from the start much more "in the Ministry," but there tended nevertheless to be the same duality of structure, with all its obvious disadvantages. Lord Woolton has now decided to abolish the distinction between trade staff and civil servants. Each commodity division is to have a single responsible director who, in most cases if not in all, is drawn from the trade. This meets one of the chief requirements of successful administration, that responsibility should be clearly defined and firmly planted on one pair of shoulders. Unfortunately, it slips even more deeply into the original mistake of allowing trades to conscript them-

selves, which, with all the knowledge and experience and goodwill in the world, can hardly be an efficient system. The proper plan is that followed in the last war, to concentrate responsibility and to recruit business men for business jobs—but from trades other than those they are to control. If Lord Woolton would take his new directors and shuffle them round, he would improve his organisation.

* * *

The New Fire Services

Six months too late, the Government has introduced a Bill centralising the regular and auxiliary fire services and then decentralising their administration on a regional basis. The matter is now so urgent that the Bill was passed through all its stages in both Houses of Parliament this week; it is simply an enabling measure, empowering the Home Secretary to make regulations for directing the fire services of the country, and detailed criticism must wait until the regulations have been made and—what is more important—acted upon. It was, therefore, quite unnecessary for Mr Morrison to put himself on the defensive from the beginning of his speech and give an elaborate explanation of why the previous system was maintained. Nor was it necessary for him to praise the members of the fire services. Everyone has recognised the difficulties with which they have been faced and appreciated the courage against them but against the organisation within which they have been working, against a system that could call upon the fire brigades of towns hundreds of miles away to fight in another town, but which could not call upon the local brigades of neighbouring boroughs because these authorities would have to pay their firemen, enrolled for part-time duties, the full-time wage. The regulations under the new Act will provide that the local authorities will henceforward pay 75 per cent of the peacetime cost of the fire brigade services. The remaining 25 per cent, about £750,000, and the total cost of the AFS, which amounts to about £1,250,000 and is at present shared between central and local authorities, will be borne by the State. Moreover, the present number of separate fire brigades—about 1,400—will be reduced by grouping them into 40-50 large fire brigades, each under the direct control of an area or sub-regional officer, who will act on the authority of the Regional Commissioner and will be able to call for assistance upon the mobile regional reserves. Taken in conjunction with the new National Service Act, by which men can be conscribed for ARP duties in any part of the country, the new measure shows that bit by bit something like a national system of civil defence is being evolved.

* * *

Amba Alagi

The surrender of the Duke of Aosta at Amba Alagi marks the end of organised resistance in Abyssinia. To the south, the history of the Italian occupation repeats itself, for guerilla bands are carrying on intermittent warfare as did the Abyssinians after the Italian occupation. Heavy rain is holding up British mopping-up operations, but with the surrender of the main army these isolated groups are of no military significance. The main Imperial forces in Abyssinia can now presumably be transferred to the Libyan or Iraqi fronts, where they are urgently needed, and it is perhaps fitting to pay a tribute to the Duke of Aosta for the bravery and determination with which, given every excuse for demoralisation and surrender, he rallied his troops to forty days' resistance after the surrender of Addis Ababa and thus prevented the despatch of British reinforcements to the north. In the otherwise unbroken record of military incapacity shown by Italy's military leaders in the field, the conduct of the Duke of Aosta is a notable exception, and it suggests that whatever is of permanent value in the political and military organisation of Italy comes not from upstart movements such as Fascism, but from older traditions of responsibility and loyalty connected with the monarchy—traditions which the present monarch has weakly and lamentably betrayed.

* * *

Balkan "New Order,"

The "new order" in the Balkans is beginning to take shape. In Roumania, Bulgaria and Greece, quisling governments co-operate with the Germans in using their territory as a military base, with this difference, that Bulgaria, having

chosen the path of dishonour, has received its reward in the shape of Macedonia and Thrace, ceded at the expense of the defeated Serbs and Greeks. Serbia will no doubt be constituted as a German "protectorate" as soon as "order" is restored, but it appears that fighting still continues in the mountains and an ugly reign of terror is being visited on the unhappy people by the Gestapo. There has been talk of an independent Montenegro, presumably under Italian control (the Queen of Italy is a Montenegrin princess), and in the north Slovenia has been ceded to Italy and Croatia has become an autonomous kingdom under Victor Emmanuel's nephew, the Duke of Spoleto. In this way, the problem of Italy's claim on Dalmatia is solved. Croatia keeps Dalmatia and Italy takes Croatia. The general line of division is clear. Germany will control all the important lines of communication and all the valuable supplies of mineral wealth. In addition, the Nazis have access to the Black Sea and to the Mediterranean and they control the Aegean, into which Italy once so hopefully thrust the outpost of the Dodecanese. With the German flag flying over Athens and German air bases established in Sicily and Libya, the hopes of Mare Nostrum must shrink again to the compass of the Adriatic. Here at least the coasts are under Italian control and some of the richest agricultural land in the Balkans added to the Italian economy. But is even the Duce's hold on the Adriatic anything but the shadow of the substantial authority exercised by Germany? The Nazis will demand some return for their "generosity" in ceding Slovenia with its German minorities and Croatia with its historical link with the Habsburg Empire—from which Hitler has claimed inheritance. The only conceivable return is Trieste, once a German port, now, no doubt, to be one again. There are already reports of Germany's intention to transform it into a "free port." The Triestini will know exactly what that means.

* * *

Tobacco at All Costs

The claim of the Tobacco Controller that the main cause of the recent scarcity is that demand has outstripped supply will not be questioned. Such a proposition is the firmest of ground to stand on. Nor, perhaps, in itself, will the release of tobacco from bond on a record scale to meet the demand be very hotly assailed. It is when Mr Maxwell speaks of his "success" in getting tobacco included among the commodities to come from the United States under the Lease and Lend Act that anxiety begins. The argument is quite simple. When Mr Maxwell admits that every dollar has a great deal more to do in the United States besides buying tobacco, he understates the position. It might be more accurate to say that dollars have no business to be buying tobacco at all; and the point is that it is at least equally true to say that there is no justification whatsoever for using shipping space to bring tobacco across the Atlantic. Admittedly, demand has gone up; as the Controller has pointed out, more employment, fewer sweets, night watches and air raids have caused an increase in consumption, and the people of this country are now smoking at the rate of 35-40 million more pounds of tobacco a year than before the war. The Controller's position has become a very difficult one. But these are not reasons for resuming tobacco imports; they are rather reasons for refusing to do so. There is plenty of room for cutting down without the risk of hardship. In wartime, it is the curtailment of consumption that is the objective, not its inflation, and valuable though tobacco may be in preserving the temper of the people, there is no case for pursuing the extraordinary policy of using ships to keep consumption at an abnormally high level. It would be illogical and unfair to treat tobacco so differently from other commodities; and if it is said that the tobacco will simply be stowed in the "spare" corners of other, more precious cargoes, the answer is either that there should be no spare corners or that there are other things better qualified than tobacco to fill them. There will be no real deprivation if no more American tobacco is imported; and what difficulties there are, and they are considerable, are mainly due to the fact that no attempt was made earlier to prepare the smoking public to accept the necessities of wartime.

* * *

War Weapons Week

The long series of War Weapons Weeks throughout the country is being brought to a grand climax in London

this week, where all the arts of persuasion and advertisement are being employed in an effort to collect £100 millions in a single week. There has been criticism—in *The Economist* and elsewhere—of some of the incidental phenomena of War Weapons Weeks and, in particular, of the indiscriminate manner in which every variety of funds, whether genuine savings or not, is gisted if it comes to the mill in a given seven days. It must not, for example, be supposed that the genuine savings of the inhabitants of London—personal and corporate together—will amount to anything like £100 millions in a single week—still less that £100 millions' worth of refraining from consumption will be accomplished in the metropolis in seven days or seven weeks. The total will be reached only by bringing in aid the very large subscriptions of financial institutions, whose degree of "genuineness" would require a very careful assay to establish.

*

For some reason that is very difficult to understand, to point this out is to generate a surprising degree of annoyance among some of those who are responsible for the National Savings Movement. It should be common ground that subscriptions of money are of no value at all unless they represent a real abstinence from consumption and consequently, that the degree of success of a War Weapons Week, or of the whole Savings campaign, should be judged not by the money it gets in but by the spending it cuts out. Moreover, there is another misunderstanding involved: to say that the organisers of the movement slip too easily into using the wrong yardstick of success is not to say—and is not intended to say—that they are unsuccessful. On the contrary, no praise is too high for the persistence, the energy, the ingenuity and the persuasiveness with which the whole campaign has been carried through. London's £100 millions will be a triumphant way of "showing the world."

* * *

Changes in Spain

While Vichy gives away the pitiful remnants of its independence, General Franco is going quietly on with the task of reconstructing the Spanish Government. The changes began on May 5th, when an army man, Colonel Galarza, replaced a Falangist at the key Ministry of the Interior. This move was followed by a widespread reshuffle among the Under-secretaries, Civil Governors, and Military Commanders, in the course of which the general tendency was to reduce the authority of the Falange and increase that of the Army. It was obvious to interpret these changes as a strengthening of Spain's independence, but some misgiving was expressed that if, as the changes suggested, there was a definite clash of policy between the Army and the Falange as a whole, then the Nazis might know how to profit from this dividing of the Spanish house against itself. The appointments of May 20th which sent Don Miguel Primo de Rivera to the Ministry of Agriculture and Señor Giron to the Ministry of Labour suggest, however, that the Caudillo is riding his two steeds with some skill. The two men are Old Guard Falangists who may perhaps be relied on to be less anxious to sell their country to Germany than the later devotees who streamed into the party at a time when German help was already a dominant factor in the Spanish situation. At the same time, the two Falangists have not been appointed to Ministries of political importance, and the impression created is that while the Caudillo is avoiding a dangerous split between Army and Falange, he is keeping authority

THE BRITISH LINEN BANK

Incorporated by Royal Charter, 1746

Head Office: 38 St. Andrew Square, Edinburgh

OVER 210 BRANCHES IN SCOTLAND

LONDON OFFICES:

City Office: 38 Threadneedle Street, E.C.2
West End Branch: 198 Piccadilly, W.1

firmly in his own hands and that of Army leaders whom he can trust. The extent to which this makes for continued Spanish neutrality is a military rather than a political question. It may be decided at Suez.

* * *

Eire and America

Mr Frank Aitken, Defence Minister of Eire, has been on a mission to Washington to try to obtain arms and food, and ships to carry them in, under the terms of the Lease and Lend Act. The American Government has decided to place two ships at the Eireann Government's disposal and part of the food they are to carry is to be provided by the American Red Cross. But there will be no arms, under the Lease and Lend Act or otherwise. This news is welcome, because there had been some reason to fear that the old Irish influence in American politics, even in its present moribund state, might lead Washington into the same sentimental attitude towards Dublin as it was showing some months ago towards Vichy. Eire is not, of course, in the same position as Vichy-France. Mr De Valera has not promised to collaborate with the Nazis either economically or politically and he has pledged himself to resist a German invasion. But he has stretched the truth in the Nazis' favour—particularly in his statement that the belligerents (in the plural) were blockading Eire; he has made it very clear that he wants arms against the British just as much as against the Germans; and he cannot by any abuse of language be said to be fighting for the maintenance of democracy—the touchstone of American policy. If there is no German invasion of Ireland, Mr De Valera needs no arms. If there is a German invasion, any arms that America has to spare are likely to be much more effectively used if they are in British hands.

* * *

Landlord and Tenant

The Attorney-General has introduced a Bill into the House of Commons proposing to amend the Landlord and Tenant (War Damage) Act. In particular, the Bill is designed to improve still further the position of the tenant *vis-à-vis* the landlord. Section four of the Landlord and Tenant (War Damage) Act, for example, which enables tenants to disclaim leases or to retain them on altered terms in case of damage caused by enemy action, does not apply to weekly tenancies. The new Bill provides that the weekly tenant need not pay rent if his dwelling has been rendered "unfit by reason of war damage" and is no longer occupied by him either in whole or in part, even though his furniture may still be there. A dwelling house will be deemed to be fit again "if it has been repaired to such an extent as is reasonably practicable at that time, having regard to the circumstances prevailing in the locality" and if the local sanitary inspector has issued a certificate to that effect. Moreover, if the accommodation has been substantially reduced by war damage a lower rent is to be fixed by agreement between landlord and tenant, or, in the absence of agreement, by the Court. The Bill also proposes, by treating ground leases like other leases, to remove the anomaly whereby the ground lessee, who has been unable to obtain rent in consequence of war damage, has had to continue paying his ground rent. Finally, the new measure is designed to bring the Landlord and Tenant (War Damage) Act into line with the War Damage Act. In case of damage, the former Act enables a tenant to serve a notice of disclaimer if the property has been rendered unfit for use or a notice of retention if he is willing to continue his tenancy after repair. By the new Bill he will still be able to serve a notice of disclaimer but only a conditional notice of retention. If the War Damage Commission decides that a cost-of-works payment shall be made, the tenant will have to carry out his liability, but if it decides on a value payment the conditional notice of retention will be treated as a notice of disclaimer.

* * *

The Small Firm

Large firms with mass production methods must be the backbone of the industrial effort in modern warfare. But this fact, and current schemes for concentrating civilian manufacture, should not be allowed to blind atten-

tion to the usefulness of small concerns. There are special and auxiliary jobs which—either because of the craftsmanship required or because of their small scale—cannot be fitted into mass production; the "delegation" of these jobs from large firms, usually by sub-contracting, plays a vital part in war supply; and this industrial dispersal is a necessary complement to concentration. Small firms can be experimenting grounds for new processes or new methods. By adding even slightly to the output of certain "bottleneck" articles, they can help greatly in maintaining the "balance" of production in the mass output plants, by preventing them from having to be stopped or slowed down for lack of minor but indispensable materials. Indeed, the new weapons of war, highly complex machines made up of a multitude of appliances and gadgets, whose production may not be suitable for mass methods, have to some extent actually enhanced the status of small and specialised firms. Apart from these technical considerations, too, one advantage of small firms is, of course, that they make possible decentralised production against the risk of "knock-out blows" by bombing. Moreover, there is a general scarcity of labour, and the use of local pools of labour which cannot easily move or be moved can only be secured by enlisting small local firms in the war effort. Both housing and billeting have become major problems, and the direct advantages of centralised production may often be largely bought at a high price in increased strains on transport and accommodation. A small firm closed down may be a suitable training ground for labour, making it unnecessary to divert machines and skilled workers in the big firms from current production to training; and small firms can contribute vital tools and machinery equipment to the mass production concerns. This is a mass production war, but the small firms are far from dead and useless.

* * *

The Finance Bill

The chief interest in the text of the Finance Bill, 1941, which was issued at the end of last week, attaches to the ingenuity with which the Parliamentary draftsman has translated into the lawyers' tongue the intentions expressed in English by the Chancellor of the Exchequer in his Budget speech. In some cases, the translation is not so much into the lawyers' tongue as into the lawyers' shorthand, and there will be much sympathy with Sir Herbert Williams's attempt to replace "legislation by reference" by clauses setting out the effect of what the Bill is intended to do. One whole Part of the Bill deals with the modifications of EPT, which are dealt with in the Investment section (page 694) and of the Income Tax Part of the Bill, the longest and most technical clauses are those relating to agriculture. Of the matters of more general interest, the following may be noted:—

The sums to be repaid on account of earned income and personal allowances will not be subject to death duties if death occurs before they are repaid. Any assignment of or charge upon sums so credited is to be void. The repayment (or, more accurately, the crediting of sums due) is to take place "on such a date as may be fixed by the Treasury being a date so soon as may be after the termination of hostilities in the present war." (In the case of EPT repayments, the phrase is "at such date as Parliament may hereafter determine," and even so only "if such conditions as Parliament may hereafter determine are satisfied.")

Where a scheme for the concentration of industry is in force, any sum paid by a nucleus firm to one whose plant has been shut down shall be allowed as a deduction in computing the profits of the former and shall be treated as a trading receipt by the latter. Wear and tear allowances on machinery in closed-down plants are to be allowed as if the machinery were in normal use.

During the war, property given to the Crown before the death of the donor shall be exempt from estate duty.

Provisions of existing enactments modifying the incidence of death duties in the case of members of His Majesty's forces are extended to "the death of any person from injuries received by him . . . caused by the operations of war."

The legal provision for charging surtax on all incomes over £1,500 is retained in the Bill, though the rates specified for 1940-41 (*i.e.*, the surtax payable on January 1, 1942) begin at £2,000.

* * *

Westminster—and Elsewhere

Lord Moyne's suggestion that the Commons should meet in the Lords' debating Chamber for the time being is a reminder of the former indivisibility of Parliament.

The House of Commons was no deliberately separate creation; it arose from the summoning of elected representatives from the boroughs and shires to the *curia regis*—the Adam of all our governmental institutions, which in full session consisted of all the King's tenants-in-chief, lay and ecclesiastical, and the great officers of State. Beside this great antiquity of Parliament, the destruction of the Commons' debating Chamber in the air raid of May 10th is quite insignificant. Built just over a hundred years ago for only about two-thirds of the present number of elected members, the Houses of Parliament, though externally pleasing in their setting, were internally ugly, cramped and in many respects inconvenient. It is sheer sentiment that bewails the damage done to them; and it was surely a false set of values that gave them first place, with the Abbey, in the list of building casualties, and made historic and beautiful Westminster Hall—perhaps one of the most awe-inspiring buildings in the world to enter—into an also hit. Careful restoration work can perform building miracles, and where æsthetic considerations prevail let us by all means restore if it is possible to do so. But elsewhere the chance should be seized of finally killing the Victorian standard of Gothic for the rich and important, and tenements, or drab rows, for the poor. Modern architecture has been seen at its best in public buildings. After the war, it will have the opportunity of proving its worth in a humbler way—in the slums of London, Liverpool, Glasgow and other towns which have suffered most from enemy action. It will not be necessary, even if it were desirable, to have a master architectural plan; at their very worst, the new buildings will not have the meanness which characterises most of the houses they will replace. London can never be a beautiful city, and it will be enough to lay down general standards of unpretentiousness, utility, space and light.

Shorter Notes

Conscription for Ulster now seems imminent. Northern Ireland was excluded from the operation of the Military Service Act of 1939, and also from the operation of the National Service (Armed Forces) Act, owing, mainly, to objections raised by Mr de Valera on behalf of the Nationalist minority. Since public opinion in Ulster, including the Labour Party, which objected to conscription

before the war, is now strongly in favour of compulsory military service, the statement to be made by Mr Churchill next week is expected to reverse the Government's previous decision.

*

The decision to increase the outfit allowance for officers by £5, with effect from January 1st, is a typical example of a niggardly concession being wrested from the Government after repeated refusals. The chief reasons for the claim for a higher allowance were, first, that the allowance is the same as that given at the beginning of the last war, in spite of the rise in prices since, and, secondly, that purchase tax has to be paid on officers' uniforms and other items of equipment. The extra £5 will not cover the increase in price since 1914, but a more serious complaint is that it is only retrospective to January 1st. It is quite true that purchase tax was not charged on retailers' stocks; but tailors are ranked as wholesale establishments and had to charge the tax on all goods delivered to their customers after October 21st, when the tax came into force, and it is the tailor's charges for making uniforms that take up the greater part of the officer's allowance.

*

The following table gives the number of civilian casualties in air raids since mass raiding began last September:—

	Killed.	Injured and Detained in Hospital.	Total Serious Casualties.
Total Sept.-Dec., 1940...	21,069	30,556	52,225
1941.			
January	1,502	2,012	3,514
February.....	789	1,068	1,857
March	4,259	5,557	9,816
April	6,065	6,926	12,991
	34,284	46,119	80,403

In April, of those killed 2,912 were men, 2,418 were women, 680 were children under sixteen, and 55 were unclassified, compared with 1,956, 1,500 and 598 and 205 respectively in March. In addition to the April figures, 48 men, 6 women and 7 children are missing and believed killed.

THE WORLD OVERSEAS

Germany Over Northern Europe

(By a Correspondent)

May, 1941

DENMARK and Norway and neutral Sweden and Finland have been cut off from extra-European markets for over twelve months. In the past, all these countries depended more upon foreign trade than most other European countries; the value of their imports per head was only slightly smaller than in the case of Great Britain, and the value of their exports per head was greater. Normally, one-fifth of the total imports of these countries were supplied by Great Britain and well over one-third of their exports were sold to Great Britain. Thus, profound changes have been necessary to make the Northern countries a part of German Europe. With the exception of Sweden, they imported a considerable part of their bread grain and their livestock industry was dependent on imported feeding stuffs. Germany is not in a position to supply substantial quantities of cereals and oilseeds; and imports from Russia have so far only been promised. Bread, meat, and fat rationing have had to be introduced and the rations are mostly smaller than in Germany; in ounces per week, the bread ration in Denmark is 90, in Norway 80, in Sweden 69, in Finland 74, and in Germany 85.

Denmark's export industry in livestock and dairy produce was dependent on imported feeding stuffs, and the number of animals has had to be reduced by wholesale slaughter.

From December, 1939, to the end of 1940, the number of cattle fell 9.3 per cent, of pigs 29.8 per cent, and of poultry 65.1. The reduction in Norway and Sweden was smaller. In all three countries agriculture has been put on a new basis. The cultivation of cereals, root crops, and oilseeds is to be expanded, and the livestock and dairy industry adapted to rely on home-grown feeding stuffs. In Denmark and Norway, the compulsory handing over of cereals as is done in Germany has been introduced; deliveries for 1941 by Danish farmers, for instance, have been increased from 730,000 tons to 873,000 tons, which means a further reduction in livestock. Prices for cereals have been fixed, and for a number of other agricultural products compulsory marketing organisations are being formed.

In terms of money, it is true, Danish farmers had a good season in 1940-41. Receipts from sales are reported to have exceeded by 23 per cent the average of Kr. 112 per hectare earned in 1939-40. Moreover, money income will continue to increase as long as the slaughter of livestock made necessary by lack of feeding stuffs goes on. The trouble is, of course, that in a sense this represents living on capital. The ultimate object in Denmark and Norway is a measure of self-sufficiency similar to that in Germany; and it is intended to make up acute deficiencies by imports from Soviet Russia.

Manufacturing for the Continent

The reorganisation of Scandinavian industry within the war economy of German Europe is even more complicated. The loss of the British market for timber, cellulose, and paper resulted in widespread unemployment in Sweden and Norway; and the formation of a European Cellulose and Timber Cartel under German domination could not provide sufficient markets within the area ruled by Germany. Markets have also to be found for timber and cellulose exports from Finland. There is, however, some outlet for forestry products in the increased consumption of firewood, in the use of processed cellulose as cattle fodder, and in the expanded manufacture of artificial textile fibre.

On the other hand, Scandinavia's iron and metal ore industries are fully employed. The most difficult problem is the supply of fuel, of coal, coke, and oil. Before the war, Great Britain supplied between half and four-fifths of total Scandinavian imports of coal and coke. The new German trade agreements concluded with the Scandinavian countries promise, on the average, two-thirds of pre-war coal supplies, and the agreements with Russia provide for the delivery of small quantities of oil. But last year Germany delivered only 80 per cent of the promised coal and coke to Sweden; the coal shortage in Denmark continues and further rationing is expected next winter.

A similar situation has developed in the textile industry, which is dependent on imported cotton and wool. In Denmark, the import duties on artificial textile fibres have been reduced, but those on wool and cotton have been increased; and, at the same time, Germany undertook to supply unspecified quantities of staple fibre. The resources of Norway and Sweden, on the other hand, favour the actual production of artificial textile fibres. The output of staple fibre is to be trebled; and the programme provides for the production of artificial textile fibres amounting to some 50 per cent of former imports. New rayon and staple fibre factories are also planned in Sweden and Finland.

In Norway, British and French owned metal and aluminium plants have been taken over by German firms. The Hermann Goering concern took the lion's share. In January, leading German aircraft firms jointly founded in Norway the *Bordische Aluminium AG*, which will use a Norwegian substitute for bauxite. In Norway, the mining of pyrites was reported to have increased during 1940 from 350,000 to 400,000 tons. The leading Swedish copper producer, the *Boliden Gruben*, is to increase copper output from 11,000 tons in 1939 to 15,000 tons annually; and total copper consumption in 1939 amounted to roughly 50,000 tons. Considerable increases in the output of copper and pyrites are expected in Finland, and by the middle of 1941 the nickel mines at Petsamo will begin operations; whether Germany or Soviet Russia will control the Petsamo output is still uncertain, though recent reports suggest that Germany has been successful in securing the whole output.

The most interesting point is the persistent reports that each of the four Scandinavian countries has begun to expand its iron and steel industry. This expansion is, of course, dependent on either the increase of electric power or the supply of coal or coke from Germany. From Denmark, the building of new electric power stations and new steel works to use considerable quantities of scrap is reported. In Norway, the construction of electric furnaces has begun under German supervision; and, in Sweden, new steel plants will be built with Government subsidies. In Norway, several new power stations are under construction; and a German-Norwegian Committee has published a programme for the export of electric energy from Norway to the Continent.

The foreign trade of the Scandinavian countries is now completely dominated by Germany. Unfortunately, no detailed figures are available. In value, imports and exports in 1940 fell on the average by one-fifth to one-fourth. The new German-Swedish agreement provides for a turnover amounting to roughly Kr. 2,000 millions, against Kr. 1,400 millions in 1940, and Germany will account for some 70 per cent of Sweden's total foreign trade. Germany also concluded additional agreements for Sweden's trade with Norway, Denmark, Holland, Belgium, and Italy. The Finnish-German agreement of June, 1940, provided for supplies of coal, coke, fertilisers, and chemical supplies to Finland, in return for some 85 per cent of Finland's total exports of timber and cellulose. In 1941, Germany's share in Finland's total foreign trade is expected to reach 50 per cent.

German policy intends to increase what the German Press calls Inter-Scandinavian Trade—Norwegian fertil-

isers to Denmark, Norwegian fish, chemicals and oils to Sweden in exchange for foodstuffs, and so on. At the same time, Russia's foreign trade appears to be by agreement supplementary to Germany's foreign trade with Scandinavian countries.

Rice Shortage in the Far East

[FROM OUR SHANGHAI CORRESPONDENT]

April 16th
RICE continues to form the staple foodstuff of all Far Eastern countries, and its present scarcity very adversely affects economic conditions in this part of the world. Japan, China and the Philippines are unusually short of rice this year and find it difficult to secure rice imports large enough to satisfy their demand. In all three countries weather conditions last year were bad for rice, and war conditions in the first two contributed to cut down rice and other foodstuffs crops to levels far below normal. The Philippine domestic rice supply falls short of demand by some five per cent. Japan's import demand for rice for the 1940-41 rice year is being estimated at more than 1,500,000 long tons. The rice shortage in China defies reliable estimates, but rice supplies are completely insufficient in both Japanese-occupied and Free China.

The most important factor in the present Far Eastern rice situation is Japan's extraordinary import demand, owing to the deterioration of Japan's economy resulting from the China war. In normal years, the Japanese Empire is self-sufficient in rice. Rice is a cash crop, but Japan's dearth of foreign exchange makes it impossible for her to put up the cash funds in foreign currencies with which to purchase rice by way of normal trade. Thus she makes use of her military and political power to extract rice by forceful means from other Far Eastern producers. She compels occupied China not only to feed a million men of the Japanese fighting forces stationed in that country, but also appropriates in the Yangtze Valley large quantities of rice for shipment to Japan proper. This Chinese contribution of rice for Japan is being but nominally paid for at far below market prices, and is being exported by Japanese military and governmental institutions, ignoring Chinese Customs, legislation and normal trade channels. It is estimated that these rice shipments from Central China to Japan this year will exceed 300,000 long tons.

Indo-Chinese Supplies

The leading position in the compulsory supply of foreign rice to Japan is involuntarily held by French Indo-China. Under this year's new economic agreements between Tokyo, Vichy and Hanoi, France's richest colony is now forced to yield to Japan 700,000 metric tons of rice a year, which is more than half of French Indo-China's export surplus. Japanese purchases of Saigon rice are financed provisionally with loans advanced to the purchasers by French colonial banks; they are supposed to be recovered with the proceeds from eventual Japanese exports to French Indo-China. The remainder of her rice import demand Japan manages to cover in Thailand under barter agreements, the details of which remain unknown.

As a result of these Japanese rice exactions, Central China's import demand for rice continues to increase, and Shanghai is now entirely dependent upon foreign rice for its monthly consumption of 25,000 tons. French Indo-China, until recently Shanghai's most important source of rice imports, had to enforce a rice export embargo and since February has been selling only broken rice to Shanghai. Confronted with the extraordinary rice demand, not only from Japan but also from unoccupied France, French Indo-China is no longer in a position to supply her normal rice customers, including Shanghai. Thailand has equally ceased to be a willing seller to Shanghai, whose chief remaining source of rice is now Rangoon, already crowded by the rice demand of such sterling bloc Asiatic import areas as British Malaya, Netherlands, Java, etc.

In the northern parts of the Far East, rice is everywhere scarce and expensive, resulting in rapidly rising living costs and a further reduction of the standard of living of the masses. In Japan, rice has been rationed under a ticket

and chit-book system. In Shanghai, hundreds of thousands of poor people recently shifted the emphasis in their food consumption from rice to fodder such as beancake, while rice prices are three times as high as a year ago. The situation is similar in the import centres of Japanese-occupied South China, such as Swatow, Canton and Amoy. The Central and South China interior has started to buy foreign rice from the coast, with even Nanking buying Rangoon rice at Shanghai.

In Free China, the 1940 harvests were much smaller than those of previous years, especially in the Szechuen rice centres. The result is a shortage of rice and unprecedently high rice prices in many parts of the west and south-west of Free China, which during the early years of the Sino-Japanese war were noted for an ample supply of cheap rice.

Eire's Courageous Budget

[FROM OUR DUBLIN CORRESPONDENT]

May 13th
THE Budget, although it contains unpleasant tidings for everybody, is an honest attempt to spread the cost of the emergency fairly over the whole people. Owing to the great expansion of the defence services, the estimated expenditure in the current year amounts to £40,172,000. The estimated yield of existing taxes amounts to £26,045,000, which is £2,781,000 less than last year, the decrease being caused by declines in the customs duty on imported sugar and tobacco. Non-tax revenue is estimated at £5,638,000. Total estimated revenue, therefore, amounts to £31,683,000, leaving a gap of over £8,000,000 to be bridged. The Budget provides that about half of this sum should be met by additional taxation and about half by borrowing. What this means is that 90 per cent of current expenditure is to be met by revenue. In view of the great dislocation caused by the war and the absence of an expansion of incomes resulting from war activities, the Budget cannot be condemned as timid or unrealistic. The financial year starts, at any rate, with good intentions.

The additional taxation covers a wide field. The standard rate of income tax is raised from 6s. 6d. to 7s. 6d. and estate duty is increased on estates over £10,000. The corporation profits tax is extended to all companies with an annual profit of £1,000; the rate is increased by 2½ per cent, and an excess profits tax is imposed on private businesses. The duty on petrol is increased by 5d. a gallon, and that on tobacco by 5s. 6d. a pound. Increased taxes are imposed on matches, newspapers and periodicals, betting and cider. In the field of non-tax revenue, postal rates are increased. The postage on letters is raised from 2d. to 2½d. and on postcards from 1d. to 1½d., while telephone charges are increased by 5 per cent. It is estimated that these additional taxes and charges will yield £4,581,000, leaving £3,908,000 to be defrayed from borrowing. Provision is made for additional allowances, to be paid partly in kind, for recipients of unemployment assistance, old age pensions and poor relief.

Ban on Wage Increases

In introducing the Budget, the Minister for Finance announced the intention of the Government to issue an Emergency Powers Order, which was published immediately afterwards, forbidding increases of dividends and directors' fees in all companies and of wages in a number of scheduled occupations. Civil servants and local government officials have already had their remuneration stabilised for the period of the war, and this Order greatly extends the area within which increases of wages and salaries are prevented. The occupations in the schedule all public utility and statutory occupations and essential sheltered and protected industries. These definitions are sufficiently wide to include practically the whole field of industrial employment. This measure is a courageous step towards the avoidance of inflation, which is certain to incur widespread unpopularity. In order that it may operate without injustice, it should be accompanied by a strict control of retail prices.

A bill has been introduced for the regulation of trade unions. In future, bodies of employers or employees carrying on negotiations for fixing wages or conditions of employment will require to be licensed by the Minister for Industry and Commerce. Licences will be granted only to

authorised trade unions registered under the Trade Union Acts or to foreign trade unions registered under the law of their own country, and substantial deposits of cash or securities will be required. A tribunal is to be established to decide which unions or associations shall be recognised as representing employers or employees in any particular class of business or employment, and no other union or association shall have the right to organise in that class. This measure, which is designed to rationalise the trade union movement and to prevent the results of collective bargaining from being frustrated by inter-union rivalries, is generally welcomed by business men and by the spokesmen of organised labour.

American Banking Movements

[FROM OUR NEW YORK CORRESPONDENT]

May 8th
IN the first four months of the current year, there were a number of marked changes in our banking and monetary figures. Most of these had been foreshadowed for some time, being more or less definitely indicated. The rapidity with which they have developed is, however, worth noting. For example, the "golden avalanche" was clearly diminishing in the last half of last year. In the first four months of 1941, over \$500 millions was added to our gold stock—at the rate of only a little over \$100 millions a month—comparatively a mere trickle. Money in circulation rose rapidly all through 1940, but in the first four months of 1941 it increased by over \$300 millions, although seasonally a decline of nearly this amount might have been expected. In the last half of last year, member bank reserve balances showed a tendency to flatten after their long and meteoric rise; but up to the end of April, under the joint influences of an active demand for currency and an increase in Treasury balances, they actually declined by about \$500 millions. While the movement of Treasury balances varies with Treasury policy and the season, the other trends—the reduction in gold imports and the increase in currency—can perhaps be regarded as significant. As bank credit was expanding rapidly, excess reserves fell more than total reserves; by the end of April, they were \$800 millions below the end of 1940, and about \$300 millions below the end of April, 1940. Their total (\$5,770 millions) was still enormous, but the current trend is markedly different from that of the immediate past.

As would be expected, the expansion of bank credit has proceeded briskly. For the reporting member banks, the increase in total loans and investments was \$2,000 millions in the first four months of 1941, and in April alone amounted to some \$600 millions. The increase in the combined items of Federal and guaranteed securities rose in this four months by over \$1,400 millions—slightly more than in the entire calendar year 1940. Although loans to brokers fell materially in the period, commercial loans of all kinds increased by \$600 millions. This item is not

THE CAMBRIDGE ECONOMIC HISTORY OF EUROPE

Edited by

J. H. CLAPHAM and EILEEN POWER

Volume 1. The Agrarian Life of the Middle Ages

This volume gives the foundations of economic life (and what was in many places the complete superstructure too)—the earth, the crops, the peasant's toil, how villages and fields were occupied and laid out, how and with what cattle and implements they were tilled, what the society was that they maintained.

With 9 plates and 3 maps. 30s. net

CAMBRIDGE UNIVERSITY PRESS

differentiated, but it includes personal and instalment loans; and these may be supposed to be a substantial fraction, as sales of durable consumer goods are large.

While the rise in commercial loans seems general for the reporting member banks, the buying of public securities has centred in New York City. In the four months under record, the New York reporting banks took \$1,100 millions of the Federal and guaranteed issues. The decline in reserves also centred in these banks, amounting to about \$800 millions; outside New York, in the same period, they rose by almost \$300 millions. This illustrates one of the most obscure areas of our entire credit system—the balance of payments between New York City and the United States. Formerly, movements of this type, on an infinitely smaller scale, would have found some reflection in money rates in New York, notably in the call rate; the recent movement has scarcely been reflected at all—to such an extent have the excess reserves taken the place of the defunct money market.

It is extremely difficult to appraise the movement of commodity prices. As this correspondence has remarked, the recent advance in the BLS wholesale index has been substantial, but not remarkable. But Moody's sensitive index of primary commodities has risen more than remarkably:—

End August, 1939	...	...	140
End December, 1939	...	...	169
End July, 1940	...	...	152
End December, 1940	...	...	172
May 3, 1941	...	...	188

In the past nine months the rise has been almost continuous, and exceeds 20 per cent; over the whole war period, the rise is over 30 per cent.

Income Tax for Palestine?

[FROM OUR JERUSALEM CORRESPONDENT]

April 17th

PALESTINE has, up to now, been one of the few countries with a relatively modern administration yet without an income tax. But for some time Mr Straithey, an expert conversant with the methods of income tax in India, has been exploring conditions here, and it seems that the publication of the necessary draft order is imminent. When that is done, discussions will presumably be conducted in public, and many of the arguments hitherto advanced "in camera" will probably vanish into thin air, particularly the assertion that the imposition of an income tax over and above our existing system of duties would constitute too heavy a burden for the country's economy. This argument might possibly have been debatable in peacetime; now it is not, the more so as every other belligerent country has readjusted its system of taxation to war conditions more quickly than Palestine. Somewhat better reasons can be brought up for the difficulties inherent in an income tax in semi-developed countries, especially in one with an economy as complex as the Palestinian. But there can be no doubt that these difficulties can be overcome, even the difficulties of assessment, until the time is ripe for the introduction of sworn schedules. For those, compulsory bookkeeping would be necessary, and this in itself would be a great improvement on the present state of affairs.

The crux of the problem is most probably presented by the money-lender who, as in every undeveloped community, gets a disproportionate share of the national income and whose personal income is absolutely uncontrollable, so long as no compulsory bookkeeping exists. The normal merchant and industrialist keeps books like his European or American counterpart, and all money income in some way or other derived from landed property can be checked by documents such as mortgages. The provision of any reasonable tax-free limit will exempt the whole of the hard-pressed agriculture—not only the citrus growers, who have been exempted from the usual property tax.

Palestine has not yet developed a system of social services such as exists in most other comparable countries. To a certain extent, such services have been provided by the Jewish community for the Jewish sector, but, under prevailing war conditions, funds raised by the new income tax might in part be utilised for establishing or subsidising social services for the entire population.

Industrial Expansion

Inquiries conducted independently by the Jewish Agency and by some banks enable us to get an idea of the developments that have taken place in the industry of the country during the first year of the war. They are the more interesting as the figures for working hours, etc., given in the official statistics are not really representative of industrial development. Before the war, the number of real industrial enterprises in Jewish and in Arab hands may have been about 1,200 to 1,300. During the first year of the war, their number rose by a good 10 per cent, while some of the larger ones which already existed were further enlarged or took up new lines of production. An example of the latter, for instance, is Potash Ltd. They have begun to work up several of their by-products, which were previously either not worked up at all or which went overseas. The same holds good for some tinned goods and pharmaceutical factories. Many of the new enterprises, about 20 per cent, have been opened in the metal trades. Steel and steel alloys for machine-tools, etc., are now made here. In the textile industry, the establishment of a wool-spinning factory constitutes a new line, as does the production of insulin in the pharmaceutical trade. The latter is especially interesting, as it not only replaces an imported product but also utilises raw material hitherto wasted. It is the only insulin produced in the Middle East. If these and similar developments resulted in an excess of production over home and Army needs, they might become valuable for our balance of payments, which has suffered under the impact of war. On account of the great importance that tourists and capital imports had for Palestine, the drop in them has had an especially heavy effect here, though according to reliable estimates about 30 to 40 per cent of the pre-war, or pre-disturbance, capital imports have come in even during the first year and a half of the war.

For this and other reasons, there has been no lack of funds for bona fide industrialists; but to a certain extent the risk of price fluctuations has had an influence upon the stocks and imports of raw material; according to the import figures, they can at least not be uncomfortably small even now. According to an incomplete but probably representative inquiry from about 60 per cent (in numbers) of all industrial enterprises, stocks in the late summer of 1940 covered six months of actual production, or somewhat less. The same statistics reveal the significant fact that only 3 per cent of all the enterprises concerned were working up indigenous raw materials.

Portugal's Colonial Trade

[FROM OUR LISBON CORRESPONDENT]

May 12th

DUE note should be taken of the official correction of statements made in London journals recently to the effect that imports of cotton, oilseeds, and tropical products of Portugal's African colonies were in excess of her own requirements and were being re-exported to "undesirable destinations." Actually, the January cotton imports were but a tenth part of those for 1939, and the vegetable oil products but one-thirty-seventh of the imports for the same year. Imports of sugar, coffee, cocoa, beans and maize, rubber, and sisal for January, 1941, were, in all, 2,694 tons less than the total of these products imported in January, 1939. Owing to irregular arrivals, there has even been a certain local shortage of sugar and vegetable oils, while the control of all maritime traffic by the British authorities has seen to it that arrivals were only sufficient to meet internal needs. It is therefore unjust to say that a purely supposititious excess has gone to enemy countries.

This is as far as the Technical Corporative Council's statement goes. Local commercial opinion confirms its conclusions, though it admits that a small quantity of the goods named may have been acquired by middlemen acting in German interests, the merchandise passing through several hands before its eventual reception, via France, in an Axis country. As no statistics bearing on the subject are available, the subject can be taken no further. It resolves itself into an *ipse dixit*. There is, however, no reason to believe that anything of importance is reaching either Germany or Italy through Portugal, and if sales to Spain have increased somewhat, chiefly of coffee, cocoa and oilseeds, it is known that the actual needs of that country have been a powerful bar to re-exportation.

German Europe

INSURANCE.—At the beginning of the war, there were ninety-eight foreign insurance companies established in Germany. The assets of forty-four British companies were at once confiscated by the German Government, and the British firms themselves were incorporated in German companies. After the occupation of Western Europe, British companies operating in France, Belgium, Holland and other countries were also incorporated by German companies. In March, 1941, the leading German companies held a meeting in Munich, where practically all Continental companies were represented. The result was the establishment of the *Vereinigung zur Deckung von Grossrisiken*, or the "corporation for the cover of major risks." This new body is a kind of European insurance cartel for the centralisation of Europe's insurance transactions in Germany, and the biggest Continental re-insurance company, the *Muenchener Rueckversicherungsgesellschaft*, will transact the business.

It is explained that the new cartel is intended to replace the activities of Lloyd's on the Continent. Each country will first try to cover its own risks. Only if that is not possible, will the new organisation, acting through the Munich company, distribute the cover according to a quota system among the different countries. The actual transfer will then be carried out by the Berlin Central Clearing Institute. Hitherto, Germany, Italy and Switzerland have shared in covering the risks which were formerly covered by Lloyd's; and it is important to note that the new organisation will not be extended to life insurance business.

In Germany, private insurance business, especially life insurance, showed considerable increases during 1939 and 1940. In 1939, the companies benefited by the compulsory insurance of independent artisans and, during 1940, a great number of factories negotiated group insurances for their workers. By far the greatest increases were reported by the insurance organisation of the German Labour Front, founded in 1933. The actual total premium income in 1939 was estimated at Rm. 1,500 millions, and the total capital investments of the companies at the end of 1940 may have reached Rm. 8,000 millions. The resources of the insurance companies have increasingly been placed at the disposal of the Treasury, and the share of Treasury bonds and Reich loans in total investments increased from 8.8 per cent in 1933 to 32.9 per cent. in 1939.

Since the war started, schemes have been announced for a comprehensive system of insurance for the entire population. They have mostly been interpreted as a gigantic merger of the social insurances of the State with the business of the private life insurance companies. Each new announcement, however, at once led to complaints from the insurance companies; and each time responsible State officials assured them that there was no intention of nationalising private insurance.

Social insurance in Germany, dating back to 1883, was developed separately for different groups of workers. There are still different schemes for wage and salary earners, for coal miners and other workers. Private sickness insurance companies are in competition with State sickness insurance. A simple merger of all these different schemes is hardly possible, and even the Nazis have shrunk from centralisation.

On the other hand, the social insurance schemes have proved excellent organisations for the accumulation of capital to be placed at the disposal of the State; and the aggregate capital of the social insurance schemes, including unemployment insurance, may at present be estimated at Rm. 11,000 millions, against Rm. 8,700 millions at the end of 1938. This enormous increase results from the fact that the emergency contributions introduced during the economic crisis 1930-32 have remained unchanged. This is a kind of compulsory savings, and there will hardly be any changes during the war.

The new scheme for a comprehensive system of old-age pensions relates to the post-war period, when 98 per cent of the population are promised pensions; and these promises are coupled with some assurance that the unemployment contributions will be abolished. Old-age pensions for wage and salary earners will be unified, and the whole system of social insurance is to be concentrated on the prevention of sickness and adequate compensation for accidents. It is thus clear from actual developments, as well as from intended schemes of reorganisation, that insurance in Germany will for some time still be characterised by

private companies, State-owned companies and companies owned by party or semi-party organisations; and the danger for the private insurance industry comes rather from the companies under the control of the German Labour Front than from State insurance.

REVENUE AND DEBT.—Secretary of State Reinhardt announced on May 13th that total revenue in 1940-41 amounted to Rm. 27,200 millions, against Rm. 20,405 millions in 1939-40; and revenue during the current year, ending on March 30, 1942, is expected to reach Rm. 30,000 millions. Herr Reinhardt explained that additional receipts during 1941 would increase the total income of the Reich to roughly Rm. 40,000 millions. These additional receipts include the war contributions of the communes, and of the Protectorate Bohemia and Moravia, and the tributes paid by occupied countries. It was announced at the same time that the national debt had increased to Rm. 90,000 millions by March 30, 1941. This means an increase of roughly Rm. 40,000 millions during the financial year 1940-41. That is to say, the Reich had at its disposal, in the financial year 1940-41, some Rm. 76,000 millions from revenue, contributions, occupation charges, and borrowed capital, which (at the rate of Rm. 12 to the £) works out at £6,330 millions.

Taxation has been used for the purpose of developing the annexed, Polish territories—Danzig-Westprussia, the *Warthegau* and Polish Upper Silesia. Germans resident in these provinces were exempted from the 50% war increase in income-tax; and the rates and taxes on profits were also reduced. But the most important point is that capital expenditure and replacement costs are exempted from all taxes. German businesses in these provinces will therefore operate at an advantage compared with the Old Reich. Marriage loans and family allowances will also be introduced. The scheme is not only intended to attract Germans to the annexed territories, but also to promote industrialisation.

EMPLOYMENT OF WOMEN.—Shortage of labour is still the main difficulty of Germany's war economy, and a new drive for recruiting women was officially begun with Hitler's speech on May 4, 1941. Official figures about the total number of employed in Greater Germany, excluding the annexed provinces, are either misleading or not comparable with former figures. The total number of employed is officially stated to be 22,670,000—that is, 14,250,000 men and 8,420,000 women. An estimate based on official figures shows that the total number of employed in July, 1939, was 24,300,000. The total number of employed at the beginning of 1941 includes foreign workers and prisoners of war.

Before the war *Wehrwirtschaft* experts thought it possible to recruit an additional six million women. Actually, the reserves are very much smaller because of the number of women working as "helping members of families, mainly in agriculture and in the small shops of independent artisans." But by the concentration of shops and farm work, and by combing out the unemployed housewives, another 500,000 women may be found for war industries. But that number will definitely exhaust the labour reserves of the Greater Reich.

ORDER BOURSE IN PRAGUE.—On April 25, 1941, the East German "order bourse" held its second session in Prague. Two hundred firms of the iron and metal manufacturing sections of Bohemia and Moravia were present, bidding for the sub-contracts of 70 firms of the Old Reich, and firms from the Sudetenland, with free capacity, were also present. The firms offering sub-contracts came mainly from Berlin-Brandenburg and Central Germany—districts officially described as "bottleneck districts."

GERMAN-DUTCH EXCHANGES.—On April 1, 1941, the exchange control between Holland and Germany was abolished. Bank, postal and other money transfers are now free from restrictions, and no limit is placed on the money which travellers can carry with them. At the same time, the Dutch and German clearing accounts have been closed. The rate of exchange remains fixed at fl. 100 to Rm. 132.7.

THE BUSINESS WORLD

Imperial Chemical Industries

FOR fully a decade before the outbreak of war, the ordinary capital of Imperial Chemical Industries had been regarded as a gilt-edged equity. The directors had, more than once, announced a policy of stable dividends, and, after a period of hoping for slight increases, the investor was resigned to payments of 8 per cent, while convinced that an ultra-conservative financial policy guaranteed that the payment would be maintained in all circumstances, short of national catastrophe. The outbreak of war cast some doubt on the validity of this judgment and the price dropped by about 15 per cent, but it was soon seen that, whatever happened to profits, all the principal products of the group were as essential in war as in peace, however different the end product might be. This impression was greatly strengthened by the accounts for 1939, and is confirmed by those for last year, just published.

The preliminary statement—dealt with in *The Economist* of April 12th—showed that the dividend was maintained, although both profit, after tax, and the earnings percentage showed declines on the year. This statement, however, tells only a small part of the total story, much of which is left to the imagination, even after a detailed study of the full legal accounts and consolidated statement, which this year are accompanied by Lord McGowan's comments. These show the total income for the parent company and such subsidiaries as had been able to prepare accounts—111 as compared with 118 a year before—had increased total income by rather over £3,000,000 to £18,375,000, but that taxation had risen from £3,654,000 to £7,385,000, which, together with a larger appropriation for obsolescence, had reduced the net income from £7,678,000 to £6,756,000. The rise in the tax allocation is mainly due to the doubling of the effective rate of EPT, and the figure gives no indication of the total tax to be found by the group. It includes nothing, in either year, for tax on dividends, while an over-provision of £497,000, made in previous years, has been used up and, more important still, EPT of home subsidiaries has, for the most part, been provided in their own accounts. No figure is given, but it seems reasonable to assume that the total liability for taxes was of the order of some £14 millions. The change in accounting practice means that trading profit does not fully reflect the expansion in earning power, and the comparison

TABLE I

	Years to December 31st		
	1938	1939	1940
Consolidated Income:—			
Trading profits	9,023,292	13,701,248	16,776,126
Total income	10,463,573	15,343,038	18,374,945
Deb. interest (net)	203,321	181,238	184,350
Taxation	514,438	3,653,883	7,385,474
Obsolescence and deprn.*	2,088,682	2,733,412	3,070,414
Net consol. income	7,281,742	7,687,413	6,755,993
Outside Interests and undist. profits	220,451	364,928	337,460
Imperial Chemical Industries:—			
Net income	7,061,291	7,313,485	6,418,533
Preference divs.	1,666,081	1,666,104	1,666,104
Ordinary stock:—			
Earned	5,395,210	5,647,381	4,752,429
Paid	4,032,149	4,032,149	4,032,149
Earned %	11.6	13.0	10.9
Paid %	8	8	8
General reserve	1,125,000	375,000	—
War Contingency Reserve	—	1,000,000	†339,262
Pensions	172,995	180,049	180,092
Carried forward	621,245	681,428	882,354

* Central obsolescence: £1,500,000, 1938; £2,000,000, 1939 and 1940. † Also £1,500,000 profit on investments and £483,353 from reserves of subsidiaries.

is further vitiated, from this standpoint, by the charging of ARP maintenance, and £326,000 for war risk insurance premiums, before reaching the published amount.

An analysis of the principal items in the consolidated earnings statement and of ICI allocations is shown in Table I.

These figures are, perhaps, more reassuring as to the extent of the company's contribution to the war effort than as giving any certainty that dividends will be maintained. But they must be read against the background of the price policy, announced a year ago, and of the reserves, disclosed and hidden. It is the group's practice to supply largely on long-term contracts and to reduce price movements to a minimum. To protect themselves, they announced rises, which were only to become effective when circumstances made it necessary, and, in the event, reliance was placed on increased turnover to offset rising costs until towards the end of last year, when a number of increases became necessary. Since the home factories were, in general, working to capacity last year, shareholders will have to rely on price increases and new factories to augment their earnings, but these factors should suffice to counteract in some measure the ill effects of EPT at 100 per cent. Meanwhile, it seems not improbable that the subsidiaries throughout the Dominions will still further increase their contribution to the war effort.

As to exports from this country and the Dominions, the outlook remains obscure, but every effort is being made to maintain and expand markets. The difficulties experienced will be in obtaining supplies and shipping space, for existing contracts, and the removal of German competition places the group in a position of semi-monopoly, even in foreign trade.

TABLE II
IMPERIAL CHEMICAL INDUSTRIES AND SUBSIDIARIES
Consolidated Balance Sheet

	December 31st	
	1939	1940
Capital employed:—		
7% pref. stock	23,801,482	23,801,482
Ord. stock	50,401,861	50,401,861
Debs. and loans (subsid. cos.)	4,817,932	4,771,759
Outside interests in subs. cos.	3,446,068	3,492,848
Surplus	14,666,249	16,204,225
Total	97,133,592	98,672,175
Fixed Assets:—		
Land, buildings, plant, etc.	59,620,167	60,862,154
Patents, rights, goodwill, etc.*	15,566,699	15,478,661
	75,186,866	76,340,815
Less obsolescence and depreciation reserves	6,448,960	7,194,653
Add interests in associated cos.	7,603,795	8,204,279
Total	76,341,701	77,350,441
Net Current Assets:—		
Cash and bills	8,517,156	7,066,863
Brit. Govt. Secs.	1,000,269	1,749,940
Marketable investments	2,963,528	1,652,160
Unquoted investments	27,654	26,045
Stocks	14,971,046	23,853,169
Debtors	15,914,065	22,431,868
	43,393,718	56,780,045
Less current liabilities and provisions	22,601,827	35,458,311
Total	20,791,891	21,321,734
Total Fixed and Net Current Assets	97,133,592	98,672,175

* Excess of share considerations over net tangible assets of subsidiary cos.

The much-reduced directors' report contains no reference to capital expenditure, but it may be assumed that it must have been very substantial. From the consolidated statement, summarised above, it will be seen that total assets rose by some £14,395,000 to £134,130,000 odd. Most of this rise occurred in stock-in-trade and debtors, but an increase of £1,500,000 odd in plant and machinery conceals a considerable writing down. Apart from the general rise in assets and liabilities, the chief features are a further fall in quoted investments and the still larger excess of current assets over near liabilities. While this is highly satisfactory, it must be borne in mind, as the chairman points out in discussing the effects of EPT, that liquidity has been reduced.

This is shown by the fact that cash and gilt-edged have only been maintained by the sale of other securities, in fact by the disposal of the whole balance of all investments in the U.S.A., including the last of the holding in General Motors. It will come as a surprise to some to learn that this investment has been entirely liquidated, yielding, over a period of years, a sterling profit of over £6,500,000. Sales last year produced a credit of £1,500,000, which has been added to war contingency reserve. Total allocations to reserves are given in Table I. The drafts on them, apart from £572,615 for war damage premiums, are this year

restricted to £950,000 for the writing down of fixed assets of subsidiaries, whereas, in 1938 and 1939, £1,760,000 and £1,650,000 respectively was taken for writing down investments in these companies. The position of the parent company at the end of 1940 was that it had a surplus, ignoring war contingencies reserve, of £18,397,384 against fixed assets, holdings, in and outside the group, and debtors of some £96,000,000 and an ordinary capital of £50,400,000.

The fall in net revenue of ICI is some 12.2 per cent on the year, and some 7.9 as against the average for the quinquennium 1934-38, but it would require a substantial further decline before the dividends were threatened, ignoring the question of a reduction in reserve appropriations and the EPT cushion. The market, although at first disappointed with the year's results, has found that public estimation is more favourable, and the price is now a trifle under 31s. ex dividend, giving a yield of £5 3s. 3d. per cent—a clear indication that prospects are considered fair—in war as in peace. The throes of re-conversion of plant are not likely to be severe, while caution in the past has placed the group in a very strong financial position, which, it is to be hoped, will not be impaired by undue taxation. The ordinary shares give promise of a stability of return which is seldom equalled among industrial equities.

Finance and Banking

War Weapons and the Money Market

The short-loan position has been dominated this week by London's War Weapons Week. The banks have had to face a continuous and at times heavy drain of funds representing their customers' and their own subscriptions to the odd £100 millions raised during the week. They have consequently been rather diffident buyers of bills. As the market obtained the fair allotment of 38 per cent of its £75 millions quota at last week's tender, the pressure for funds has therefore been keener than for many weeks past. The "special buyer" has been available in case of need, and in fact has helped in some directions by the purchase of June and July bills. The fact that the making up for May balance sheets has already started also helps to explain the greater scarcity of credit this week. The banks would have been even more pressed for cash had they not been freed from any Treasury deposit payments this week. The corresponding maturities totalled £20 millions, and a certain additional amount may have been called in by the banks in order to be converted into Government securities ranking for inclusion in the War Weapons total. The Bank return shows the movement of funds into Government accounts resulting from the heavy subscriptions to Government issues. Public deposits have risen by £25,449,000 to the exceptionally high level of £39,857,000. As a counter-part to this, bankers' deposits are £18,936,000 down at £96,583,000. Open market operations to ease the credit position are reflected in a rise of £6,255,000 in Government securities.

Exchange Control in Eire

Although neutral Eire has, since the beginning of the war, proved a loyal and co-operative member of the sterling area and has applied methods of exchange control broadly similar to those in operation in the United Kingdom, its residents have hitherto escaped the rigours of requisitioning of foreign assets. The first step has now been taken to bring this aspect of the Eireann exchange control into line with the British. An Order issued by Eire's Finance Minister compels the sale of U.S. and Canadian dollars held by residents in Eire to the authorities. The assets involved are cash and credit balances, and as such assets accrue to residents in Eire, they will have to be offered for sale to the authorities within fourteen days of their being acquired. No start has yet been made with the acquisition of dollar securities held by residents in Eire, but this will no doubt follow in due course. To round off the control of the authorities over the dollar income of Eire additional Orders have been promulgated prohibiting the export of goods to the U.S. or Canada unless payment is made in dollars within six months of the date of export. Among the reasons which have prompted the Eire Government to tighten up the exchange control in this manner must be an increasing shortage of dollars. Requests for U.S. dollars

from importers in Eire have until now been made to the Bank of England and have been dealt with in the normal way. The dwindling size of the British dollar reserves must, however, have led to some difficulty in satisfying these

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

BOARD OF DIRECTORS

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

General Manager in South Africa—Milton Clough

Deputy General Manager in South Africa
R. W. Normand

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

London Manager—Ralph Gibson Secretary—H. Dales

Head Office: 10 CLEMENTS LANE, LOMBARD STREET
and 77 KING WILLIAM STREET, LONDON, E.C.4

Telegraphic Address: Africorum, London

London Wall Branch: 63 LONDON WALL, E.C.2

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

New York Agency: 67 WALL STREET

EXECUTOR AND TRUSTEE BUSINESS CONDUCTED

COMMERCIAL SERVICE

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

requests and to suggestions that this difficulty would increase unless holdings of dollars in the hands of residents in Eire were requisitioned. No final decision has yet been made regarding the treatment of the dollars which will be obtained by the new requisitioning order. If Eire's requirements of dollars are, as in the past, to be satisfied from the U.K. Treasury's reserve through the Bank of England, it follows that the dollar reserves acquired from Eireann residents should be put into the common pool.

Clearing Bank Statements

There was a further considerable expansion in bank credit during April, the total of deposits rising by £64,322,000 to £2,828,575,000, the highest figure yet recorded. Increased Treasury borrowing from the banks on six months' deposits receipts was wholly responsible for the expansion. This item increased by £87,000,000 to £461,000,000. Contrary to the customary seasonal movement discounts fell by £6,386,000 last month, reflecting the increased non-market competition for Treasury bills at the

In £ millions						
	Apr. 1940	Dec. 1940	Jan. 1941	Feb. 1941	Mar. 1941	Apr. 1941
Capital and reserves	139.3	140.2	140.2	140.1	140.1	140.2
Acceptances, etc.	120.1	108.2	105.6	101.1	100.5	104.9
Notes in circulation	1.4	1.4	1.4	1.4	1.4	1.4
Current, deposit and other accounts	2,353.9	2,800.0	2,756.5	2,708.8	2,764.3	2,828.6
Total liabilities.....	2,614.7	3,049.8	3,003.7	2,951.5	3,006.3	3,075.1
Cash	253.9	324.4	279.1	283.6	287.9	298.4
Cheques, balance, and items in transit	79.6	134.8	111.8	117.3	120.6	113.0
Money at call	153.4	158.5	130.6	127.9	131.8	137.4
Discounts	358.4	284.9	280.2	259.9	194.2	187.8
Treasury deposit receipts	—	313.5	340.5	329.5	374.0	401.0
Investments	617.6	721.5	789.2	814.4	821.0	819.7
Loans and Advances	983.4	906.0	900.5	890.6	908.1	883.7
Investments in affiliated banks	23.5	23.7	23.7	23.8	23.7	23.8
Cover for acceptances, premises, etc.	164.9	152.5	150.1	145.5	145.0	149.4
* * * Total assets	2,614.7	3,049.8	3,003.7	2,951.5	3,006.3	3,075.1

weekly tenders. Investments also showed a small fall in April, a movement which may be truly described as *reculer pour mieux sauter* in the War Weapons Weeks of May. The most striking change in the statement is a fall of £24,380,000 in advances. This carries the total of this item to £883,748,000, which is about £100,000,000 lower than the figure at which it stood a year ago. The volume of bank cash keeps pace closely with the expansion in credit and the ratio of cash to deposits increased slightly last month, from 10.4 to 10.5 per cent.

Central American Accounts

The network of Payments Agreements with the American continent has been completed this week by a collective arrangement which is to cater for future payments between the sterling area and twelve Central American countries. The machinery of payments is to function through Central American Accounts—a new species of sterling accounts bearing some resemblance to Special Accounts, but yet differing from them in certain important respects. Like the Special Accounts, they will provide the sole means for settling the authorised payments due between these countries and the sterling area. These new Central American Accounts will, however, be opened for any resident in the countries concerned and will not be restricted to banks, as are Special Accounts. This means

that it has been found unnecessary to round off the Central American scheme with facilities for opening Sterling Area Accounts such as had to be given in all cases where the Special Account technique has been applied. Another important and significant difference between the Special and Central American Accounts lies in the fact that the latter, unlike the former, apply to a group of countries which for purposes of their payments to and from the sterling area are regarded as a single unit. A few empirical attempts have been made in the past to give the Special Account technique rather greater elasticity than that provided by strict bilateralism. They have not proved particularly successful. This new attempt to give our clearing agreements the greater elasticity commanded by applying them to a group of countries, as opposed to a single one, will be followed with much interest. Transfers between Central American accounts will be free. Any shortage of sterling in such accounts can be remedied by offering the authorities U.S. dollars or by transfers of sterling from U.S. registered account. No method is specified for dealing with a surplus of sterling accumulating in such accounts, but this is a contingency which is probably not expected to arise. Any existing sterling account in the name of a resident in Central America may be transferred to a Central American Account. If it is not, it will remain a "free" sterling account which may be used for the very restricted objectives open to sterling of this fast-dying variety.

Redemption of India Sterling Debt

Official data of the redemption of India sterling debt during the year to March 31st last have been given by the India Office this week. The relevant figures are as follows:

	Redeemed in 1940-41	Outstanding on 31/3/1941
Undated Stock	£ 6,608,850	£ 160,445,705
Dated Stock	64,710,779	23,671,615
Railway Annuities	2,175,600	31,585,751
Railway Debenture Stock	—	24,660,766
Liability for British War Loan	—	15,466,928
Total	73,495,229	255,830,765

The amount surrendered under the Treasury Vesting Order (included under the dated stock redemption in the above table) was £54,132,975, while a further £5,765,567 was surrendered under the corresponding Order made by the Government of India. A further amount of sterling stock, probably not exceeding £8,000,000, remained to be surrendered on March 31st last. It will thus be seen that in one year India was able to repatriate close on one-quarter of her official sterling debt. It should, moreover, be noted that this achievement was made without any net encroachment on India's exchange reserves. Between the end of March, 1940, and March 21, 1941, the sterling reserves of the Reserve Bank of India had risen almost uninterruptedly from Rs.14,100 lakhs, or £74,000,000, to Rs.21,890 lakhs, or £164,000,000. In the following week, during which the Reserve Bank felt the impact of the Vesting Order, these reserves fell to Rs. 14,450 lakhs, and they have since been recovering slightly. Thus after meeting the cost of the heavy repatriation of sterling securities India's reserve of sterling remains larger than it was at the beginning of the financial year 1940-41. The gap in the Reserve Bank's assets structure caused by the sudden fall in its sterling securities has been approximately filled by the issue to the Bank of rupee securities, on which, incidentally, the Government of India is paying from $\frac{1}{2}$ to $2\frac{1}{2}$ per cent, compared with the rates of 3 to 5 per cent ruling on the repatriated sterling securities.

INSURANCE NOTES

Northern Assurance.—Life business is transacted by the Northern both through the parent office and through the London and Scottish, separate accounts being published for the participating and non-participating funds of the former. Combined premiums totalled £1,001,140, and developments in 1940 in the main followed the common experience. In the case of the Northern funds, the quinquennial period 1936-40 closed on December 31st last, but under present conditions the directors have decided to postpone a valuation for the purpose of

distribution of profits; intermediate bonuses, however, are being maintained at the rate of 30s. per cent per annum for premiums in respect of the five years 1936-40 and at the rate of 20s. per cent per annum for subsequent premiums. Sums totalling £360,000 are being transferred to investment contingency reserves, which are now more than sufficient to cover any depreciation known to exist.

Results of the fire, accident and marine accounts are exhibited below; these figures include, inter alia, those of the London and Scottish, Provident Accident

and White Cross and Indemnity Marine, and profits in the fire and accident departments are arrived at after applying a 50 per cent premium reserve:—

	Premiums	Rise or Fall	Profits	Rise or Fall
Fire	2,028,676	+ 41,588	22,148	— 117,183
Accident	1,552,451	— 271,719	207,334	+ 61,087
Marine	1,333,945	+ 447,053	—	—
Total	4,915,072	+ 216,922	185,186	— 56,096

The disappointing result in the fire department is ascribed by the chairman

of the Aberdeen board, Lord Forbes, to a high rate of loss on the home business and to an adverse balance on the Northern operations in the United States, this for the second year in succession. Rationing of petrol in this country and the loss of large portfolios in the Low Countries are responsible for the substantial reduction in accident premiums; the account, however, more than maintains its profit-earning reputation. The rise in marine premiums is largely due to increased rates and values, and not to any desire to develop the business unduly; no profit is being released, and the fund now stands at 114.5 per cent of premium income.

Profit and loss account receives credit transfers of £382,300, including net interest of £195,776. Income-tax on profits and N.D.C. together take £105,604 and pensions and sundry other items £61,744; interest on debenture stock requires £19,320. The dividend is reduced from 15s. to 14s. per share, and after providing for this and the preference dividend, absorbing together £177,174, the balance to be carried forward is £1,236,296, an increase of £18,457. In the balance-sheet market values of Stock Exchange securities are in excess of ledger values, less contingency reserves, and in addition to the balance of profit and loss account there is a general reserve fund of £2,000,000.

London and Lancashire Insurance.—Accounts of the London and Lancashire include the underwriting figures of the subsidiary offices. The results of the life business, which is transacted through the medium of the Law Union and Rock, may be summarised thus:—

		Rise or Fall
New Business:—		
Net sums assured	£ 1,411,192	— £644,248 (31.3%)
Income:—		
Net premiums	£ 738,827	— £20,000 (2.6%)
Net interest	£ 369,552	— £25,580
Net interest rate	£ 3.5.4%	— £0.3.10%
Outgo:—		
Claims by death	£ 448,236	+ £20,982
Claims by maturity	£ 473,980	— £28,441
Surrenders, including surrenders of bonus	£ 110,437	+ £20,606
Commission and expenses	£ 116,337	— £9,160
Commission and expenses — ratio to premiums	15.7%	— 0.8%

The decline in new business is in accordance with general experience, and, apart from the increase in surrenders, the accounts show no abnormal features; war claims are stated to form only 3 per cent of the total.

Underwriting experience in the main non-life accounts is shown in the following table:—

	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall
Fire	2,878,908	+ 34,701	221,262	— 46,433
Accident	2,264,241	— 203,911	153,603	+ 48,802
Marine	2,088,964	+ 416,958	215,549	+ 74,921
Total	7,232,113	+ 247,748	590,414	+ 77,380

The Governor (Sir Frederick Pascoe Rutter), in his statement to the shareholders, referred to the considerable increase in fire losses at home: in the United States the company incurred a loss on fire operations for the first time since the San Francisco catastrophe of 1906, aggravated by a severe tornado in the Middle West costing £1,500,000, of which the London and Lancashire had its share. In the circumstances the profit of £221,262 is extraordinarily good. Developments in the accident account, which also includes a United States portfolio, are in keeping with the experience of other offices; relative to the very gratifying marine profit, which is arrived at after applying a 40 per cent premium reserve—an uncommon procedure in marine accounts—the Governor uttered a warning that a continuance cannot be expected, since notwithstanding the steps

taken to improve the rates both for hulls and cargoes, ordinary marine business is still not on a paying basis.

Transfers to profit and loss, including net interest of £389,500 aggregate £988,574. Provision for British taxation absorbs £258,486, and staff pensions and widows fund together take £60,000; after providing for a dividend at the same rate as last year, requiring £499,422, the balance carried forward is higher by £260,666 at £3,388,604. The balance-sheet position is exceptionally strong; apart from an undisclosed margin in the value of the investments and the balance of profit and loss account, there are "additional reserves" in the fire, accident and marine accounts aggregating £4,400,000 and a general reserve fund of £2,000,000.

Royal Exchange Assurance.—Total premiums and annuity considerations of the Royal Exchange group amounted in 1940 to £9,647,000. Unfortunately, the underwriting accounts of the parent office do not include the figures of subsidiaries—the latter being treated as investments—so that they present an incomplete picture of the group's activities. The Royal Exchange alone has a premium income of £4,693,000. Extracts from the life account are given below:—

		Rise or Fall
New Business:—		
Net sums assured	£ 2,220,597	— £744,667 (25.1%)
Income:—		
Net premiums	£ 1,376,945	— £11,089 (0.8%)
Net interest	£ 469,083	— £24,641
Outgo:—		
Claims by death	£ 473,917	+ £133,021
Claims by maturity	£ 610,108	+ £25,114
Surrenders, including surrenders of bonus	£ 126,732	+ £9,759
Commission and expenses	£ 197,380	— £18,673
Commission and expenses — ratio to premiums	14.3%	— 1.3%

The quinquennial valuation was made on a strengthened basis, with interest at $2\frac{1}{2}$ per cent, against 3 per cent five years ago. The surplus disclosed of £1,474,309 includes the profit brought forward from the previous quinquennium, after deducting which and making certain adjustments, the one-tenth share allocated to the proprietors is £85,655. The Royal Exchange is one of the few offices to maintain a reversionary bonus, albeit at the reduced rate of £1 per cent. per annum.

Premiums and underwriting profits (excluding interest) in the other leading departments are as follows:—

	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall
Fire	1,504,084	+ 61,137	649	— 146,802
Accident	1,078,304	— 121,805	131,337	+ 11,709
Marine	497,658	+ 100,499	— 16,076	+ 1,854
Total	3,080,046	+ 39,831	115,910	— 133,239

Conditions at home, together with an unprofitable result in the United States, account for the disappointing year in the fire department. In the accident department a lower premium income, coupled with an increased profit, is in line with the experience of other offices; the same may be said of the substantial jump in marine premiums.

Interest income (excluding life, annuity and capital redemption) amounts to £152,170, against £188,250 in 1939; the fall is explained in part by the absence of dividends from certain foreign subsidiaries. The aggregate of credits to profit and loss account (including £30,229, being one-fifth of the proprietors' share in the quinquennial profits of the life, annuity and capital redemption funds) is £309,279. £20,000 has been written off office property, and provision for taxation, pension fund, ARP expenditure and expenses not otherwise charged, together absorb £123,071. A transfer of £100,000 has been made to the annuity revenue account for the purpose of writing down the value of investments; the dividend is at the same

rate as last year, and the cost during the year £176,862, the balance carried forward being lower by £110,655 at £1,047,869. In the balance-sheet assets are certified to be fully of the value stated, Stock Exchange securities having been taken at or below market prices; in addition to the balance of profit and loss account, forming a general reserve, there are "additional reserves" in the fire and accident accounts totalling £1,300,000.

The principal subsidiaries are the Motor Union and Car and General; as their names imply, both offices are chiefly interested in motor insurance. The accident account of the Motor Union discloses a heavy fall in premiums of £428,927, from £1,458,000 to £1,029,073, doubtless owing largely to a lower motor income at home and the loss of business from the Continent; the Car and General, on the other hand, has a higher accident premium income at £1,634,586, against £1,613,691, for which the stabilising influence of the United States portfolio is presumably responsible. Both companies are able to show higher profits. The other important subsidiary, the State, has a small loss on the fire account, which with a premium income of rather over £500,000 is the major interest.

North British and Mercantile.—The following is an epitome of the life revenue figures of the North British and Mercantile:—

		Rise or Fall
New Business:—		
Net sums assured	£ 1,065,010	— £3,924,162 (66.0%)
Income:—		
Net premiums	£ 2,480,821	— £79,468 (3.1%)
Net interest	£ 1,039,436	— £16,757
Outgo:—		
Claims by death	£ 1,098,555	+ £145,325
Claims by maturity	£ 1,505,746	+ £120,413
Surrenders, including surrenders of bonus	£ 300,895	+ £109,557
Commission and expenses	£ 374,537	— £44,233
Commission and expenses — ratio to premiums	15.1%	— 1.3%

By way of explanation of the heavy fall in new business the deputy chairman (the Hon. Arthur O. Crichton) points out in his statement to the shareholders that, whereas many of its contemporaries had already shown some effect of the war in their 1939 figures, the North British and Mercantile then experienced a "bumper" year, owing partly to one or two exceptionally large blocks of business. Mortality has been within expectation, notwithstanding the inclusion of many claims due to enemy action.

Fire insurance is transacted both by the parent office and by the Fine Art and General. Accident business is written through the medium of the Railway Passengers and marine through the Ocean Marine. Results are recapitulated below:—

	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall
Fire—				
N. Brit. & Merc.	3,407,803	+ 126,724	95,572	— 207,636
Fine Art & Gen.	377,443	+ 20,324	30,141	+ 7,812
Accident—				
Rly. Pass.	1,305,548	— 72,674	164,389	+ 13,536
Marine—				
Ocean M.	634,689	+ 237,115	50,000	+ 10,000
Total	5,725,483	+ 311,499	340,102	— 176,288

As with most of the leading offices, the North British and Mercantile suffers heavily from the adverse fire experience at home and in the United States. The accident business does not include an American portfolio and developments in this and the marine account have followed the general trend.

In the profit and loss account and balance sheet of the parent company the interests in subsidiaries are handled on an investment basis. Taking profit and loss first, credit transfers total £580,406, the principal item being net interest of £443,621, which includes tax-free dividends from the subsidiaries aggregating

(Continued on page 694)

Investment

EPT Concessions

The Finance Bill throws light into some of the dark places left by the Chancellor's statements as to amendments of the Excess Profits Tax, in his Budget speech and in the debates which followed. The clauses which will most repay study are Nos. 22 and 28, dealing respectively with additions to standard profits of mining and oil companies, and with the treatment of EPT in cases of industrial concentration. Clause 19, which covers the post-war return of 20 per cent of all tax, leaves the date of repayment to be determined by Parliament. The concession with regard to metal and oil mining companies takes the form of an increase in the standard profits of the concern, the datum line from which EPT is calculated. This increase may be as much as 30 per cent in cases where, but for the war-time increase in output, the property would be exhausted between 1946 and 1950, falling to 20 per cent in the next quinquennium; to 10 per cent in the decade 1961-70, and 5 per cent in the twenty years to 1990. It will be the function of the Treasury to determine whether a company shall rank for a concession, while the Commissioners will fix its amount, subject to an appeal to the Board of Referees. The Treasury is also to determine what deposits are to be taken as ranking in the determination of the life of an undertaking, a fact which makes it impossible to form any exact idea of the effect of the concessions. It seems probable, however, that it will not be very large, and that it will be greatly delayed if the method suggested for determining reserves is not altered. With regard to the concentration of industry, any sums paid to a firm closed down by a nucleus undertaking will be treated, for both EPT and income tax, as though they were the trading receipts of the former, and will be excluded from the accounts of the latter for tax purposes. Firms closed down are to be permitted normal depreciation allowances, and it seems probable that these and similar items will absorb a substantial part of any profit coming to them. Under these arrangements, the effect of the Lyttelton scheme will be a reduction in current tax revenue as against what would have accrued had concentration been effected by pure competition.

Depreciation Allowances

Section 15 of the Finance Bill implements the promise of exceptional depreciation on machinery or plant installed after January 1, 1937, which has become obsolete or unnecessary. The concession is only granted when the fall in value, beyond that provided for by normal depreciation, is due to conditions arising out of the war, and, pending

a final assessment, the maximum additional allowance is 10 per cent per annum. As was mentioned in an article appearing in *The Economist* of April 5th, this provision is insufficient, in some cases. In his statement to shareholders of ICI, Lord McGowan takes up this point and puts forward the view that every taxpayer should be entitled to a lien on his excess profits sufficient to write off capital expended in the national interest on purely war time projects. Since April 5th, income tax has been raised, and a good deal has occurred to suggest that post-war prices will be very materially above even current levels. Both these factors aggravate the shortage of liquid capital, which payments of EPT at 100 per cent make probable, while increasing the amount eventually required for reconstruction. The concessions made in the Finance Bill are real and valuable, but it may well prove that they will be insufficient to fulfil their purpose.

Rio Tinto Problems

The full accounts of the Rio Tinto Company for 1940 show a further deterioration in the position, arising both from the policy of the Spanish authorities and from high taxation of the Rhodesian copper interests. These developments have made it necessary to draw much more heavily on accumulated peseta balances in Spain, previously written off. At the current rate, it seems probable that these will be exhausted by mid-1942. For the time being, the preference dividend is covered with a fair margin, but for the tenth year in succession there is nothing for the ordinary shareholder. The table below shows the trend of receipts and expenditure for the past three years:—

	Years to December 31st		
	1938	1939	1940
Revenue:—			
Sales, net.....	234,762	224,194	86,213
Peseta balance used	3†	64,611	441,776
Dividends, etc.	340,495	284,331	241,892
Total net	575,260	573,136	769,881
Expenses:—			
Administrative, etc.	266,410	273,346	269,655
Debt, int. and red.	160,694	160,640	160,685
Provision for Taxes	—	—	200,000
Preference shares	81,250	81,250	81,250
Earned for ordinary	66,906	57,900	58,393
Earned %	4.3	4.4	5.5
Carry forward	451,820	509,720	568,113

†15,000,000 pesetas as written down to 3.

(Continued from page 693)

£170,000; the fire profit of £95,572, life profit (one-fifth of the quinquennial profit) of £35,114 and sundry items totalling £6,099 make up the balance. On the outgoing side United Kingdom taxes take £87,113, foreign and colonial taxes not otherwise charged £26,319 and super-annuation and widows' funds together £60,000; £80,000 is written off the cost of businesses acquired. After providing for dividends at the same rate as before, costing £371,083, the balance to be carried forward is £2,558,143, a reduction of £44,109. In the balance sheet, assets are certified to be fully of the value stated and apart from the balance of profit and loss, there is a contingency fund of £1,000,000 and an additional reserve of £3,000,000 in the fire account.

Yorkshire Insurance.—The life revenue account of the Yorkshire exhibits features in keeping with the majority of comparable offices. At £1,396,567 new business is lower by 50.8 per cent., but the effect on premiums, which at £856,039 show a fall of 3.4 per cent., is relatively slight. Death claims are a little higher, owing to enemy action, and the net rate of interest at £3 13s. 1d. per cent and combined commission and expense ratio at

12.5 per cent. are both reduced. On the other hand annuity income at £418,885, against £150,084, displays a very substantial increase. Consideration to the payment of interim bonuses is being deferred until the next valuation.

In the other important departments the figures are as follows:—

	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall
Fire	917,185	— 10,881	53,554	— 45,048
Accident	1,302,910	— 167,832	100,528	+ 6,026
Marine	800,089	+ 306,022	20,000	+ 10,000
	3,020,184	+ 127,309	174,082	— 29,022

Here again the results, which are arrived at after setting up additional reserves for war contingencies of £23,500 and £55,500 in the fire and accident departments respectively, give testimony to the common experience.

Profit and loss account receives total credit transfers of £278,015, including net interest of £75,682. Of this various expenses not otherwise charged take £49,164, Dominion and foreign taxes (which are not debited to the underwriting accounts as is the usual practice) £55,272 and reserve for income tax and N.D.C. £57,000. Interim dividends and provision for final dividends at the same rate as last year absorb £105,055, leaving

a balance to be carried forward of £88,157, an increase of £11,524. Stock Exchange securities are taken at or less than market prices on the 31st December, 1938, the date of the last quinquennial valuation, and other fixed assets remain at the 31st December, 1939, balance sheet values, acquisitions subsequent to these dates being included at cost price. There is a general reserve fund of £1,500,000.

Caledonian Insurance.—Life new business in 1940 amounts to £627,450, a reduction of 56.9 per cent., and premiums at £591,838 show a decline of 3.1 per cent. The average net interest yield is £3 9s. 9d. per cent., a fall of 2s. 11d. per cent. Death claims are rather higher by reason of enemy action. The valuation of the life fund, which in the ordinary course of events would have been made at the end of 1939, covering a triennial period, has been postponed until December 31st, 1941, and will embrace the quinquennium ending on that date; in the meantime it has been decided to allot interim bonuses of £1 per cent. in respect of each year's premium for the years 1937 to 1940 inclusive.

In the fire and accident departments, after setting aside war contingency reserves of £3,600 and £46,000 respectively, the profit margins are very slender (Continued on page 710)

Despite the difficulties of the position, there is some improvement in the cash position, for the net increase in near and distant liabilities is only £53,000, while liquid assets are up by £21,000 and the net debt of the company to its subsidiaries is lower by £180,000. Assets, apparently outside Spain, make up almost half the total, but of these it is certain that the Rhodesian holdings are undervalued. Current dividends from investments cover debenture service and preference dividend. The £5 ordinary shares stand at £7, a value which discounts a very material recovery in the receipts from Rhodesia and, possibly, some improvement in the future of the Spanish undertaking.

Shipping Dividends Resumed

The payment of dividends of 5 per cent on the ordinary capital of the *Union Castle Mail Steamship Company* and of 4 per cent on that of *Cairn Line* must come as a pleasant surprise to shareholders in these companies after at least a decade without any return. The latter company's revenue has, of course, shown a steady recovery in recent years, and gross profits of £69,120 for the year

ended December 31, 1940, against £44,947, have continued the improvement to the highest level since the depression of the early thirties. With a transfer of £40,000 to fleet replacement account, against £30,000 to general reserve, the sum available for dividends amounts to £18,235, representing a rate of 6.1 against 8.5 per cent. After meeting the 4 per cent dividend, the carry-forward is increased from £3,481 to £9,716, with classification repairs of £1,262 against £21,885 being charged to general and classification reserve as before. The continued improvement in receipts argues that the terms of agreement with the Ministry of Shipping are proving satisfactory, at least as far as current income is concerned. It remains to be seen whether adequate arrangements for replacement of fleet can be made under the agreement. The creation of a reserve of £40,000 on this account is a first step, but the balance sheet shows a decline in steamers, etc., from £336,502 to £29,774. Cash items are correspondingly swollen. Investments jumped from £39,469 to £225,669 nominal, with a market value of £215,750 at the date of the accounts. Cash is up from £83,565 to £273,105, and debtors from £181,243 to £199,172 against an increase in creditors from £24,471 to £86,439. It is to be hoped that the directors will

THE NATIONAL BANK OF INDIA, LIMITED.

Registered in London under the Companies Act of 1862 on the 23rd March, 1866.
ESTABLISHED IN CALCUTTA, 29th SEPTEMBER, 1863.

Subscribed Capital	£4,000,000
Paid-up Capital	£2,000,000
Reserve Fund	£2,200,000
Number of Shareholders	3,068

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

BRANCHES:		STEAMER POINT, ADEN.		ENTERBE KAMPALA Uganda.	
CALCUTTA.	AMRITSAR.	RANGOON.	STEAMER POINT, ADEN.	ENTERBE KAMPALA	Uganda.
BOMBAY.	CAWNPORE.	MANDALAY.	ZANZIBAR.	KAMPALA	
MADRAS.	DELHI.	COLOMBO.	MOBASA.	JINJA	
KARACHI.	LAHORE.	KANDY.	NAIROBI.	TANGA	
CHITTAGONG.	TUTICORIN.	NUWARA ELIYA.	NAKURU.	DAR-ES-SALAAM	Tanganyika Territory.
	COCHIN.	ADEN.	KISUMU.	MWANZA	

AGENCY:

GALLE, CEYLON Messrs. CLARK, SPENCE & Co.

BOARD OF DIRECTORS:

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

London Bankers:

NATIONAL PROVINCIAL BANK, LIMITED.	BANK OF ENGLAND.	NATIONAL BANK OF SCOTLAND, LIMITED.
Solicitors	Messrs. SANDERSON, LEE & CO.	

BALANCE SHEET, 31st DECEMBER, 1940.

The Rupee Assets and Liabilities have been converted at the rate of 1/6 per Rupee.		ASSETS.		LIABILITIES.	
	£	s.	d.		£ s. d.
Capital:					
Authorized and Subscribed. 160,000 Shares of £25 each, £4,000,000	2,000,000	0	0	Cash on hand, at call and at Bankers 9,184,948	10 9
Paid up £12 10s. per share	2,200,000	0	0	Bullion on hand and in transit	337,098 0 0
Reserve Fund				Indian Government Rupce Securities	9,522,046 10 9
Current, Fixed Deposit and other Accounts, including provision for Bad and Doubtful Debts and Contingencies	34,795,738	15	1	British Government Securities, Indian Government Guaranteed Debentures, and other Securities (of which £500,000 War Loan lodged with Bank of England as security for Government Accounts) ..	5,107,953 2 8
Bills Payable	846,332	19	0	House Property and furniture at cost, less amounts written off	9,538,270 4 1
Acceptances for Customers	158,837	0	3	Bills of Exchange, including Treasury Bills	801,206 19 5
Profit and Loss Account, as under	526,515	6	10	Discounts, Loans Receivable, and other sums due to the Bank	5,689,856 11 6
Bills receivable, re-discounted, £655,425 13s. 5d. all of which have since run off. Forward Contracts outstanding for the Purchase and Sale of Bills and Telegraphic Transfers, £4,120,525.				Customers for Acceptances per Contra	9,709,273 12 6
	£40,527,444	1	2		158,837 0 3

PROFIT AND LOSS ACCOUNT for the Year ended 31st December, 1940.		Gr.	
	£ s. d.		£ s. d.
To ad interim dividend at the rate of 16 per cent. per annum for the half-year ended 30th June, 1940	160,600	0	0
Balance	526,515	6	10
By Balance at 31st December, 1939	526,515	6	10
Dividend at the rate of 16 per cent. per annum for the half-year ended 31st December, 1939	160,000	0	0
Amount written off House Property Account	75,000	0	0
Officers' Pension Fund	50,000	0	0
Balance brought forward	246,572	6	10
Net Profits for the year ended 31st December, 1940, after charging Directors' Fees amounting to £6,788 6s. 6d. and providing for all Bad and Doubtful Debts	439,943	0	0
	£686,515	6	10

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

R. LANGFORD JAMES,
W. SHAKESPEARE,
L. T. CARMICHAEL,
Directors.

REPORT OF THE AUDITORS TO THE MEMBERS.

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

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

Auditors.

London, 9th May, 1941.

continue to restrain dividends in the interests of fleet replacement. The full figures of *Union Castle*, when available, should add considerably to the picture. The 20s. ordinary stock units rose 2s. 3d. to 12s. 9d. on the news, giving a yield of £8 13s. 10d. The *Cairn Line* 10s. ordinary shares at 5s. 4½d. offer a yield of £7 14s. 8d. per cent.

Babcock and Wilcox Investments

The full accounts of Babcock and Wilcox for last year show that the earnings, before tax, discussed in *The Economist* of May 17th, revealed only part of the story. Income at £885,000 fell by £107,000 odd, and, while normal expenses were reduced, and only £54,894 was set aside for war losses, against £124,936, it was necessary to provide £25,000 for war damage premiums. The tax provision is reduced by £50,000 at £225,000, owing to the fact that it excludes tax on dividends, and, as already disclosed, there is a small margin of cover for the 11 per cent distribution on the ordinary capital. The above figures must be read in conjunction with the fact that, out of a special reserve of £451,393, £310,368, against £97,319, is estimated to be required to provide for depreciation of investments in enemy countries. Fortunately there is an improvement in holdings of gilt-edged in excess of £40,000. Unexecuted orders, according to the report, still stand at a record high level, and the balance-sheet value of stock and work in progress is up from £1,539,910 to £2,308,938. A slight stringency of working capital is argued by the creation of bank overdrafts to a total of £315,248 and a jump in creditors, including tax provision, from £1,357,336 to £2,044,493. The increase is by no means compensated by a rise in debtors of some £100,000 to £1,860,075. Lower cash holdings, at £110,389 against £226,377, have served to raise holdings of Government securities by some £70,000 to £1,928,991. The turnover of the group is bound to be below normal owing to the loss of subsidiaries, but that of the company should be well maintained. Whether gross profits can equal those of last year is doubtful, but the need for heavy special appropriations may be past. The £1 ordinary shares, at 41s., yield £5 7s. 3d. per cent.

United Molasses Report

The full accounts of United Molasses for 1940 reveal a decline in the balance-sheet value of fixed assets from £1,854,175 to £1,491,199, due largely to the transfer of the company's tanker fleet to a newly-formed, wholly-owned subsidiary, Athel Line. Thus, it is clear that United Molasses has now substantially the character of a holding company, and no allocation requires to be made to ships' survey and renewals reserve, against £50,000 in the previous fifteen months. Contingencies reserve receives £150,000 against £360,000. Moreover, a total of £1,222,493 due from the Ministry of Shipping, which represented a substantial current asset in the company's balance sheet at the close of 1939, has now disappeared from the accounts of the group. The transaction has financed a rise in British Government securities from £985,914 to £1,808,283. The consolidated account, at December 31, 1940, shows total fixed assets at £1,606,788 against £1,983,444. There remains, however, an unexplained drop in the total of vessels and steamships from £3,073,790 to £1,601,326, the depreciation provision being also reduced from £2,161,085 to £916,929. Total stock holdings for the group are some £50,000 higher at £275,279, and £112,400 is credited from tonnage replacement account. On the liabilities side, general reserve, as before, stands at £1,000,000, while the total of current liabilities, with contingencies and other reserves, now classified separately, amount to £1,045,725 and £1,225,725 respectively against a total of £1,314,843.

FAMOUS SINCE 1795
OTARD'S
COGNAC BRANDY

On the profits position, the full accounts add little to the preliminary statement discussed in *The Economist* of May 10, 1941. The most serious problem remains that of replacement of tonnage. It is highly satisfactory that the chairman, Mr F. K. Kielberg, is able to state, in his speech circulated with the report, that all fixed assets in danger zones have been written off or provided for. The 6s. 8d. ordinary stock, at 23s. 10½d. ex dividend, yields £6 5s. 6d. per cent.

Spinners and Slubbers

Further light is cast on the experience of the textile trades by the appearance of the full reports of *Fine Cotton Spinners and Doublers* and the *British Cotton and Wool Dyers' Associations*, both for the year ended March 31st. Despite the inclusion of a considerable period of restriction of home demand, both show profits, after tax, which are the highest for over a decade. The *Fine Spinners* figure is £673,861 against £614,761, and, but for the need to provide £100,000 for war damage premiums, 16.9 per cent would have been earned on the ordinary capital, against 9.4 in 1939-40. This year, the bulk of the surplus goes in establishing a war contingencies reserve of £200,000, so that once more there is no dividend for either preferred ordinary or equity holders. In the case of the *Dyers' Association*, an increase of almost 80 per cent in the charge for repairs and renewals reduces the net amount available for dividends from £73,591 to £45,902, after a slightly more ample transfer to depreciation, and the ordinary dividend is cut from 6½ to 5 per cent. The earned percentage is 7.8 against some 10 per cent. This company shows only a 20 per cent rise in stock in trade, and a marked expansion in cash and creditors doubtless reflects a large tax provision as much as a better turnover. The *Fine Spinners* balance-sheet shows surprisingly few large changes. Liabilities are up by £500,000, largely as a result of allocations, and this is balanced by rises of £300,000 in stock-in-trade and of £200,000 in cash. Despite substantial Government orders and reports of improvement in the export trade, it seems highly problematical whether either company will repeat these earnings in the current year. The *Dyers'* payment is, however, almost exactly the average distribution of the nine years to March, 1940, and, from the greater diversity of the material coming to it for treatment, is perhaps sufficiently well placed to maintain its dividend. The 5s. shares of *Dyers* at 4s. ex dividend give a yield of some £6 5s., while the 20s. units of *Spinners'* 5 per cent cumulative preference capital, covered some 6½ times by earnings, stand at 12s. 3d.

Two Colliery Results

Together, the accounts of *Yorkshire Amalgamated Collieries* and *Pease and Partners* provide an illuminating indication of the experience of collieries in the year to March 31, 1941. The first company, a holding concern interested almost exclusively in coal mining, suffered a fall in income from dividends from £258,897 to £168,521, caused by EPT and war damage premiums. After reducing the ordinary dividend from 7½ to 6½ per cent, and halving the allocation to general reserve at £25,000, the carry forward is slightly higher, at £124,750, against £119,233. Grossed up at the higher standard rate of tax, the cover for the ordinary payment is reduced only from 9.9 to 8.5 per cent. *Pease and Partners*, with gross receipts before tax of £617,446 against £605,774, is maintaining the previous year's allocations despite an increase in tax provision of £50,000 to £200,000. Net revenue has gained, and will benefit further this year, by the repayment of some £450,000 of 4 per cent debenture stock. After repeating the provision of £70,000 for depreciation and £60,000 for renewals and contingencies, the earnings percentage is reduced from 11.0 to 10.3 per cent, providing narrow cover for the ordinary payment maintained at 10 per cent. The carry-forward is slightly higher at £300,194 against £298,207. While both companies were hampered by the interruption in the coal export trade last year, the relatively better result achieved by *Pease and Partners* is probably to be explained by the greater spread of interests. The consolidated balance-sheets of both companies show a rise in stock, in the case of *Pease and Partners* from £508,526 to £624,684 and in that of *Yorkshire Amalgamated* from

£264,549 to £346,969. The *Pease and Partners* secured loan is reduced from £297,162 to £286,763. The 10s. ordinary shares, at 9s. 9d. ex dividend, yield £10 5s. per cent. The £1 ordinary shares of *Yorkshire Amalgamated*, now quoted at 14s. 4½d. ex dividend, offer a yield of £9 0s. 9d. per cent.

B.A. Western Moratorium

The news that the directors of Buenos Aires Western have found it necessary to propose a moratorium on the 4 and 5 per cent debenture stock and on the 4 per cent three-year bearer notes newly re-issued this year, is, of course, more disappointing since it is unexpected. It is, of course, clear that all Argentine railways are gravely affected through interference with the Argentinian export trade, and that rising running costs have pressed heavily on earnings. In the last complete financial year, to June 30, 1940, operating receipts rose for the third year in succession, and total profits, at £819,486 against £657,731, reached the highest level since 1936-37, the last year in which a preference dividend was paid. To meet prior charges involved a draft on the carry-forward of £7,764, but no draft on general reserve, compared with £125,000 in the previous year. Last year's improvement was mainly due to an excellent wheat crop. In the current year, crop prospects have been reduced in importance through the increasing difficulty of securing transport. The balance sheet at June 30, 1940, shows a total of £1,192,730 for capital and general reserves. Failure to continue meeting the claims of debenture holders from capital is no doubt due to recognition that the profit position must continue to get worse until the conclusion of the war. The company's stock was sold on the announcement of the moratorium, the 4 per cent debentures dropping 5½ points to 27½ in three days.

Anglo-American Corporation Group

The *Brakpan* report shows that milling grade is above the average of ore reserves. Development continues to expand in the Southern and Witpoortje sections. Dividends are reduced and, since the mine has now passed its prime, payments must be expected to decline further. *South African Lands* had another satisfactory year in which development was accelerated. The additions to plant will increase milling capacity to at least 120,000 tons a month, against 345,000 tons crushed last quarter. Profits expanded substantially and the dividend was increased. The report of

Springs Mine, on the other hand, shows no improvement. Development in the Main Reef declined and no discovery of value was made in the Kimberley Reef. The position should be improved when the shaft to serve the southern portion of *Springs* and *West Springs* eventually comes into commission. In the meantime, *Springs* is mainly dependent on its northern area, now almost fully developed. Development of *West Springs* is almost entirely confined to the southern section from No. 2 shaft, and development in this large area, which continues to be very satisfactory, will in future be the main source of supply to the mill. The ore reserve position is strong compared with the milling

	Years to Dec. 31.				Dividends			
	Ore Reserves		Grade		1939		1940	
	Actual	Change	1939	1940	s. d.	a. d.	s. d.	a. d.
	1,000 tons.		dwt.	dwt.				
Brakpan.....	6,980	- 44	5.4	5.3	3	6	3	0
S.A. Lands ...	4,061	+ 574	6.06	6.0	5	9	7	0
Springs.....	7,124	- 1,204	5.25	5.1	2	8½	2	6½
West Springs..	4,180	- 342	5.4	5.1	2	9	2	0
Daggafn.	8,771	+ 586	6.4	6.25	2	9½	8	0
East Daggafn.	2,852	+ 551	6.25	6.1	—	—	2	3
Western Reefs	1,509	+ 762	5.4	5.7	—	—	—	—

tonnage, and, in due course, the proposed vertical shaft, which is to serve the southern portion of the property (in conjunction with *Springs*) will enable development to be expedited. The present yield of about £8 per cent appears to be somewhat high for a mine with the long life and potentialities of *West Springs*. *Daggafontein* had another very good year and satisfactory development on the Kimberley Reef continued. Both tonnage milled and profits showed a substantial increase. The mine has a prosperous career ahead and the position is most satisfactory, although it is hardly likely that there will be any material expansion in operations. *East Daggafontein* enjoyed excellent development, while that on the Kimberley Reef continued to add substantial tonnage to reserves. With an increase in tonnage milled and prospects of a long life, *East Daggafontein* should raise dividends in due course. *Western Reefs*, a vast new area situated in the Klerksdorp district near property which has formerly proved unprofitable, has frequently been regarded with scepticism. Yet, the latest report of underground development is again highly satisfactory. The reduction plant to mill 100,000 tons monthly is near completion and the dividend stage should be reached next year. Should present prospects continue, *Western Reefs*, with its large number of separate ore bodies, should become one of the great mines of the Rand and has considerable speculative possibilities.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

THERE has been little business in any section of the markets this week. Fresh military developments in Syria and Crete inclined investors to take a cautious view, while, at home, publicity for the London War Weapons week served to reduce interest in the stock markets. The funds suffered moderate losses, more through absence of buyers than from selling pressure. Other sections were mainly easy with business at a minimum. In the industrial market, shipping, textiles and breweries made an exceptionally firm showing. Commodity share markets moved irregularly and again turnover was slight.

The gilt edged market closed last week dull and opened on Monday without improvement. Before the week-end, 4 per cent Consols and 3½ per cent Conversion closed ½ down and on Monday a long list of losses in the order of ½ included

2½ and 4 per cent Consols, and 3½ per cent Conversion and War Loan. Dated issues were somewhat firmer and later in the week, Monday's prices were mainly held, although business remained essentially cautious. In midweek, shortage of stock and restrained buying raised 3½ War Loan ½ and 2½ per cent Consols by ½, but 4 per cent Funding lost the same amount. The foreign bond market was remarkable for the strength of Chilean and Japanese issues, the latter inspired by unsubstantiated rumours of the conclusion of hostilities in the Far East. Thus, on Monday, the majority of Japanese issues improved ½ point. Other features were the firmness of Egyptian, Czech and Belgian stocks.

The home rail market saw little business except among ordinary issues. Here price movements were not considerable, but most stocks are lower on balance. Great Western ordinary lost as much as 1 point before the week-end, while LMS ordinary, after moving irregularly, dropped ½ on Tuesday. Later in the

week prices were mainly firm, but few quotations changed. London Transport "C" lost ½ in midweek. Among foreign rails, Canadian Pacific ordinary was higher on balance, but Argentine issues declined on the news of the B.A. Western moratorium, the 4 per cent debentures of that railway losing 3 points at the beginning of the week.

Despite a general paucity of business among industrial shares, a number of sections showed considerable strength this week. Textile issues were strongly in demand, with attention focussed on Coats. Bradford Dyers and Lancashire Cotton also improved, but Courtaulds was marked lower against the trend. Breweries were also in favour. Bass continued their recent steady progress and, on Tuesday, gained 2 points on the ex dividend quotation, while Courage, Guinness, Distillers and Mitchell and Butlers were also bought. The shipping section, encouraged by the Cairn Line and Union Castle resumption of dividends, staged a recovery in which these

(Continued on page 698)

Industry and Trade

Coal

Towards the end of March, the Government, realising the need to accumulate stocks for next winter during the summer months, issued an appeal to the coal-mining industry to increase its output, which was then barely adequate for current needs. Steps have since been taken to prevent a further depletion of the industry's labour force by the application to coal-mining of the Essential Works Order. But after two months of the issue of the appeal for increased production, there are still no indications of a serious improvement in output. Reports from the principal mining districts suggest, in fact, that the supply position is scarcely any better than at the end of March and that production is still only barely sufficient to meet current demand. True, the persistence of cold weather has retarded the seasonal fall in the demand for coal and coke for heating purposes, but in view of the drastic curtailment in exports after the collapse of France, the accumulation of substantial stocks this summer is well within the capacity of the coal-mining industry. But unless drastic measures are taken to speed up production immediately, Great Britain will face the next winter without the coal dumps in the principal centres of consumption that are essential if a shortage, harmful to health and to the production of munitions, is to be avoided.

Further Fall in Unemployment

Unemployment continues to dwindle. Between March 17th and April 21st the number of unemployed on the registers of the employment exchanges of Great Britain fell by 47,407, from 457,918 to 410,511. Almost the whole of the reduction took place in the category of wholly unemployed. On April 21st these numbered only 318,772, against 364,308 on March 17th. The number of wholly unemployed men fell from 159,638 to 139,895 and that of women from 165,319 to 133,056. There was an increase in the number of wholly unemployed boys and girls from 39,351 to 45,821, but this is explained by the registration of the Easter school-leavers. In view of the small number of registered unemployed, the war industries now have to rely for additional recruits mainly on transfers from unessential and over-staffed industries. In the case of industries whose labour force has been depleted during the past decade, the Government has rightly adopted the method of

recalling the skilled workers who have taken up other occupations. This week, for example, the Ministry of Labour and National Service has made an Order for the registration of all men with experience of marine-engine building or repairing or heavy engineering work of a similar nature, in order to speed up the production and repair of ships. The Order applies to all men aged twenty or over who have worked for twelve months or more since January 1, 1929, on marine-engine building or repairing as fitters, assemblers, erectors or turners. Since the training of these specialists takes years, workers who have already had experience can make a greater contribution to the expansion in production than new recruits drawn from cotton mills, for example.

The John Lewis Partnership

In a paper read recently before the Royal Society of Arts, Mr J. Spedan Lewis described the co-partnership scheme which his firm has developed during the past thirty years. All the workers, regardless of age and length of service, are partners. The charges on profits are: first, the pay sheet; secondly, help to partners in special need; thirdly, a fixed rate of interest on such capital as the partnership does not own; fourthly, the formation of reserves; fifthly, the provision of collective benefits. The remainder is distributed to the partners in proportion to their wage or salary during the relevant period. It is distributed in the form of shares, but these, apart from certain temporary deposits by way of fidelity guarantees, are the unconditional property of the recipients. Some 300,000 shares have already been distributed in this way, but Mr Lewis is hardly justified in his statement that "in almost any other business in the world all of the profit represented by these shares would have been taken by the owners of some part of the capital or by the most powerful member or members of the management." Though his firm's scheme is one of the most comprehensive, co-partnership schemes are not as rare as he seems to imply. The firm's arrangements for securing freedom of speech, which they believe to be of greater importance in keeping employees contented than the actual exercise of power, are ingenious. There are committees, elected by ballot by and from the rank and file, whose function is to maintain contact between employees and management. Their meetings are attended by a principal member of the management, and care is taken to

prevent fear of victimisation. The recipients of the highest votes at the elections to these committees are also members of the Council, which, in addition to liaison duties, exercises control over substantial funds which are applied to the relief of hardship and to the financing of various social activities. A weekly newspaper which encourages anonymous correspondence provides a further opportunity for the outspoken, and yet another is offered by the general meeting, at which any subject can be discussed by previous request, and the request may be made anonymously. After years of informal experiment the system was given legal existence, in the form of an irrevocable trust-settlement, in 1929, and the company can legitimately claim that it has made a contribution to the evolution of "personal" organisation.

Democracy in Industry

On the basis of his thirty years' experience of the system, Mr Lewis made suggestions concerning the principles on which co-partnership schemes should be based. He regards some form of self-government as indispensable to modern businesses, since redistribution of income, without a substantial increase in the total, cannot effect a great increase in human happiness, and a great increase in the national income can only be brought about by contented workers. He enumerates seven principles which he feels essential to the organisation of a successful scheme: paternalism must be avoided; workers must not be asked to play a part in the management which is beyond their ability; their desire for more pay, more security, better status and more power should be satisfied; and, lastly, some motive must be found which, when the profit motive is absent, will bring businesses into existence and keep them active. On the subject of pay Mr Lewis advocates a rather high minimum wage for mature workers, and the payment of their full market value to workers of earning power above the minimum, expressing a rather vague hope that the co-partnership benefit will fill the gap between a worker's market value and his own estimate of his value. This gap is surely a crucial problem not to be so easily dismissed. The need of the worker for more security is another of the most vital problems, but here the experiments made by Mr Lewis's firm, which lead to the conclusion that some people are fitted to be permanent members of the organisation to which they belong, and work better if they know they have security of tenure, whereas others can only be kept up to the mark by the constant fear of dismissal, seems to leave the problem precisely where they found it. The desire of the workers for

a better status seems, in Messrs Lewis's experience, to be fairly easily met by tact and good manners in the widest sense. The fostering of contact between the different grades, the provision of a high quality of everything in the way of "collective benefits," such as sports and other recreation facilities, and the careful safeguarding of freedom of speech, go a long way, according to Mr Lewis's experience, to satisfy this desire. The desire for more power he thinks greatly overrated. When he comes to the question of finding a substitute for the profit motive, which co-partnership to a large extent removes from the promoters of industry, Mr Lewis discusses almost exclusively the position, qualifications and powers of the head of the firm, which hardly meets the question. It is on the "labour" side that the long consideration and experience he brings to the problem is most fruitful.

Further Ship Chartering Control

On May 22nd there came into force a new Order of the Minister of War Transport, entitled the "Use and Hire of Ships Order, 1941." It provides that no person shall, without authority from the Ministry, agree or offer to enter into an agreement for the use or hire of any ship, or for the carriage of goods in any ship which is not a fishing-boat or a Government or licensed ship and which has a gross tonnage of 1,600 tons or more. As all British ships of this size are already either requisitioned by the Ministry of War Transport or licensed by it, the new Order only affects vessels owned outside this country. The supply of free foreign-owned shipping has been greatly reduced during recent months, and the effect of this Order is to bring the chartering of the remainder under the control of the Ministry.

Record U.S. Tanker Construction

As the shipment of petroleum products requires special vessels a shortage of such ships—tankers—would imperil Great Britain's supplies of a vital war material. While there is no reason to suppose that there is a serious shortage of tankers, it is reassuring to learn that American shipyards have a record tonnage of such vessels under construction. Orders for 72 vessels were recently placed by the United States Maritime Commission and a further 70 are reported to be under construction for the various oil groups—15 for the Standard Oil Company (N.J.) alone. The tonnage of these vessels, 25 of which are expected to be in service this year, reaches the remarkable aggregate of 1,800,000 tons deadweight, a figure which compares with a previous record of 700,000 tons, established at the end of the last war. Many of these new vessels

(Continued from page 697)

two concerns, P. and O. deferred and Clan Line, were prominent. Elsewhere, there was little interest, although in the miscellaneous group, Lever and Unilever was consistently firm.

Kaffirs reacted strongly to news of the threat to Syria, but Cape support served to maintain the majority of prices. Johnnies were sold in a small way and, before the week-end, Sub Nigel and Crown Mines were also marked lower. Among developing concerns, Western Reefs rose. The stagnation of the previous week was continued in the rubber share market, but Rubber Trust and United Sua Betong enjoyed small and isolated gains. In the oil market, geographical proximity to the conflict zone appears to have had little effect on prices, but last week's recovery was interrupted. At the beginning of the week, small improvements in the order of 7½d. were realised by such market leaders as Shell Transport ordinary and Burmah Oil, but most prices were lower on balance and in midweek irregular movements were general. Anglo-Iranian and Burmah ordinary continued to improve.

"FINANCIAL NEWS" INDICES

1941.	Approx. Total Barings in S.E. List.	Corres. Day 1940.	Security Indices.	30 Ord. shares.*	20 Fixed Int.†
May 14...	2,220	3,247	68.3	128.0	
" 15...	2,369	3,272	68.6	128.9	
" 16...	2,279	3,366	68.6	128.9	
" 19...	2,303	3,546	68.8	128.9	
" 20...	2,327	3,678	69.1	129.0	
" 21...	2,467	3,902	69.2	129.1	
* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1941: highest, 73.7 (Jan. 17); lowest, 66.8 (Apr. 24). 20 Fixed Int., 1941: highest, 128.8 (Apr. 2); lowest, 126.1 (Jan. 2).					

New York

Both the latter half of last week and the current week have seen very slow trading on Wall Street. While the international situation continued to give rise to cautious dealing, the most important influence on market sentiment was, probably, the expectation of further wage demands. Price movements have throughout been narrow and irregular with little change on balance. On Tuesday steel, oil and aircraft issues were prominent and some increase in business took place, but, while the undertone became firmer, trading was generally lethargic. Sentiment in midweek remained quietly firm

until the close, which was somewhat irregular. The Iron Age estimates steel mill activity at 100 per cent of capacity against 99.5 per cent in the previous week.

STANDARD STATISTICS INDICES

(1926 = 100)

WEEKLY AVERAGES

	1941	Apr. 23, 1941	Apr. 30, 1941	May 14, 1941
Low	Apr. 30	High	Jan. 15	
347 Industrials	83.6	69.0	84.0	83.6
32 Rails	25.4	23.0	27.7	26.6
40 Utilities	67.7	78.7	69.8	67.7
419 Stocks	71.9	66.1	72.4	71.9
Av. yield*	6.80%	6.13%	6.71%	6.80%
	High	Low	(d)	

* 50 Common Stocks. (a) Jan. 22. (b) Jan. 8. (c) Feb. 11. (d) Feb. 18. (e) May 14.

DAILY AVERAGE 50 COMMON STOCKS

May 8	May 9	May 10	May 12	May 13	May 14
92.40	92.50	93.00	93.00	93.70	93.00

1941 High: 105.80, January 10. Low: 90.70, April 30.

(Continued on page 699)

(Continued from page 698)

New York Prices

Total share dealing: May 15, 500,000;
May 16, 290,000; May 17, 140,000;*
May 19, 220,000; May 20, 470,000.

* Two-hour session.

	Close	Close	Close	Close	Close
	May 15	May 16	May 17	May 18	May 19
1. Railroads	131	131	131	131	131
Balt. & Ohio	4	34	Chrysler	68	56½
Gen. Elec.	26½	26	Curt. Wr. "A"	26½	26½
Ill. Cent.	8½	7½	Eastman KdK	124	124
N.Y. Cent.	13	12	Gen. Elec.	29½	29½
Northern Pac.	6½	6½	Gen. Motors	39½	38½
Pennsylvania	24½	23½	Inland Steel	70½	69
Southern	13½	13	Int. Harv.	43½	44½
2. Utilities, etc.	140½	140½	Int. Nickel	24½	24½
Amer. Tel.	140½	140½	Lizgett Myers	81½	80½
Amer. Wkks.	43	4	Nat. Dairy	13	13½
Pub. Sv. N.J.	33½	33½	Nat. Distillers	18½	19½
8th. Cal. Ed.	22½	22½	Nat. Steel	51	50½
United Gas	23½	23½	Proct. Gamble	50½	50½
3. Commercial and Industrial	63	63	Sears Roebuck	70	70½
Amer. Metal	163½	173½	Shell Union	144	142
Am. ROLL. M.L.	13½	14	Socoyne Vac.	98	98
Am. Smelting	34½	40	Std. Oil N.J.	36½	37½
Anacostia	25½	25½	West. Hose, E.I.	88	88½
Briggs	19½	19½	Woolworth	27½	27½
Celanese of A.	21½	20½	Yngstn. Sheet	33½	33½

* Two-hour session.

Capital Issues

Week ending	Nominal	Con-	New
May 24, 1941	Capital	versions	Money
To the Public	Nil	£	Nil
To Shareholders	Nil	£	Nil
By S.E. Introduction	Nil	£	Nil
By Permission to Deal	Nil	£	Nil

Net Savings Certs.†	5,370,250	5,370,250
3% Defence Bonds(a)	4,497,045	4,497,045
24% Nat. War Bonds†	Nil	Nil
Ditto, 2nd issue†(a)	6,671,821	6,671,821
3% Savings Bonds†(a)	6,669,118	6,669,118
† Week to May 13, 1941. Total sales, Nov. 22, 1939, to May 13, 1941, £282,741,268. † Week to May 13, 1941, making total since June 25, 1944, £440,301. (a) Total sales to May 13, 1941, £276,261,905. (b) Total sales to May 13, 1941, £140,543,091. (c) Total sales January 2, 1941, to May 13, 1941, £198,348,425.		

Year	Including Conversions	Excluding Conversions
1941 (New Basis) ...	518,976,293	500,152,997
1940 (New Basis) ...	766,592,315	413,637,182
1941 (Old Basis) ...	518,422,108	499,598,810
1940 (Old Basis) ...	763,373,765	400,618,632

Destination (Conversions Excluded)

Year	U.K.	Brit. Emp. Foreign ex U.K. Countries
*41 (New Basis) ...	497,603,894	2,549,103
*40 (New Basis) ...	412,874,170	763,012
*41 (Old Basis) ...	497,098,810	2,500,000
*40 (Old Basis) ...	400,476,176	142,456

Nature of Borrowing (Conv. Excl.)

Year	Deb.	Ord.
*41 (New Basis) ...	497,491,488	34,460
*40 (New Basis) ...	400,509,696	1,170,355
*41 (Old Basis) ...	497,098,810	Nil
*40 (Old Basis) ...	392,604,500	77,500

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

Issues to Shareholders Only

Llanely and District Electric Supply.—Issue of 60,000 6 per cent Cumulative £1 Preference and 60,000 £1 Ordinary shares. Holders have the right until May 30th to apply for the shares in units composed of one Preference and one Ordinary at 43s.

Australian Renewal Result.—Acceptances of the Australian Government offer to renew the 3 per cent 1939-41 loan for three years have amounted to over £8,000,000. The amount of loan is £13,469,981. The result will leave about £5,000,000 of stock to be paid off on October 1, 1941.

Shorter Comments

Svenska Handelsbanken.—Gross profit for 1940, before taxes, increased by Kr.1,039,239 to Kr.41,758,841. Net profit after Kr.8,110,421 (Kr.5,938,458); tax was Kr.1,132,723 below figure for 1939. Dividend 9 per cent. Forward Kr.707,501; funds total Kr.160,000,000.

Western Union Telegraph.—Gross operating revenue for 1940, \$99,704,353, an increase of \$4,043,950; expenses \$65,262,349; increase \$1,784,089. Net balance from operations \$6,113,794, increase \$2,081,490. Net income \$3,621,581, increase \$2,241,467. Dividend \$1 per share \$1.045,038. Forward \$78,167,954 (\$75,741,790).

British Columbia Power.—Net revenue, 1940, \$4,292,952 after provision for taxes. Bond interest. Preference dividends, etc., \$2,231,687. Dividend \$2,000,000 on "A" shares. Surplus for year \$61,264.

Rand April Profits.—Total estimated working profit gold mines of the Witwatersrand for April, 1941, £3,755,596. Profit for March, 1941, £3,897,732.

will be required to relieve the present shortage of tankers in the American trade, brought about by the requisitioning of fast tankers by the United States Navy, transfers to foreign registry, the growth of coastwise shipments from the Gulf coast to the Atlantic seaboard, and by the obsolescence of numerous vessels now in service. But there can be little doubt that a sizeable surplus will remain available for the replacement of British losses. Allowing for war losses, the world's tanker fleet, according to a recent American estimate, at present amounts to some 17,600,000 tons deadweight. Of this aggregate about 50 per cent. is already owned by Great Britain and the United States (in approximately equal proportions), while a further 20 per cent flies the Norwegian flag and is mostly operating on behalf of the Allies. The tonnage at Great Britain's disposal should suffice this year, especially if civilian consumption is reduced without delay by the application of a needs test. And in view of the magnitude of the building programme now under way in the United States, it should be possible to look forward to 1942 and 1943 with reasonable confidence.

Slump in Cotton Exports

The blockade of the Continent and the scarcity of shipping have been responsible for a slump in the international trade in raw cotton, reflected in the accompanying table. There was an increase in the combined exports of the seven leading producing countries between the six months ended January, 1939, and the corresponding period in 1939-40, due largely to the heavy intake of American cotton by Great Britain; exports from the United States to this country actually rose from 300,000 bales to 1,401,000 bales during this period. But during the six months ended

January, 1941, the combined shipments of the countries shown in the table, exclusive of British India, were only 30 per cent of the quantity exported during the same

EXPORTS OF RAW COTTON, AUGUST-JANUARY,
(In thousands of bales)

	Average 1923-4 to 1932-3	1937-38	1938-39	1939-40	1940-41
U.S.A.	5,289	4,100	2,310	4,399	703
British India	1,066	564	1,044	907	(a)
Egypt	827	1,008	836	980	319
Brazil	66	500	500	450	598
Peru	118	189	206	212	120
Argentina	40	15	69	57	22
Sudan	12	117	130	64	107
Total	7,418	6,508	5,194	7,069	—
Total, excl. India	6,352	5,944	4,150	6,162	1,869

(a) Not available

period in 1939-40. The United States bore the brunt of the reduction in trade. Her exports during the six months ended January, 1941, were only 16 per cent. of the quantity shipped in 1939-40. Her shipments to Great Britain fell from 1,401,000 bales to 349,000 bales; her exports to Japan declined from 601,000 bales to 41,000 bales, and the quantity of cotton sent to the Continent was only 18,000 bales, against 1,752,000 bales in 1939-40. On the other hand, Russia, who purchased no cotton from the United States in 1939-40, took 147,000 bales in 1940-41. Egypt also suffered a reduction in exports, due partly to transport difficulties, but Brazil was able to increase her shipments, mainly as a result of heavier Japanese, Canadian, and Spanish purchases.

COMMODITY AND INDUSTRY NEWS

Tin prices weakened considerably during the week, Wednesday's price for standard cash being £266 10s. - £266 15s. compared with £270 - £270 5s. per ton a week earlier. The three months forward quotation was £266 5s. - £266 10s. per ton, compared with £267 15s. - £268. The Board of Trade has informed the Metal Exchange that licences are not now to be granted for the export of tin to the United States, and it is unlikely that the ban will be lifted for a considerable time. The Hemp Control has raised the c.i.f. price of sisal from £26 per ton for Grade I to £30; prices of other grades will be in proportion.

Rubber Quota Unchanged.—A meeting of the International Rubber Regulation Committee was held on May 20th, at which the export quota for the third quarter of the year was decided. The quota was fixed at 100 per cent, the rate which has been in force since the beginning of the year. Smoked sheet spot closed at 14d. per lb. compared with 14½d. a week earlier.

Cotton Business Improvement.—More business has been under consideration in the market than for several weeks past. Transactions have been irregular but the sales in yarn and piece goods have shown some improvement. Most of the orders have gone to nucleus firm producers. Raw cotton consumption in the United States continues on a very high level, the total for April of 920,000 bales being a record for all time and compares with 854,000 bales in March and 624,000 bales in April last year. The higher prices for raw cotton in the United States have been maintained. In piece goods for export most of the buying has been for Argentina, Java, South Africa and Canada, and printed and dyed fabrics have attracted more attention than other cloths. Increased sales have been reported in essential goods for the Home Services. Yarn business has been on a rather freer scale and spinners have received from the Controller more permits to sell.

Cotton Concentration.—The Board of Trade is now considering concentration

in the doubling and waste spinning and manufacturing sections of the cotton industry. Proposals for voluntary schemes may be submitted to the Cotton Controller, who will advise firms in their preparation. June 18th is the latest date for the submission of these schemes.

Vegetable Oils and Oil Seeds.—Supplies of vegetable oils at the disposition of the Control are generally satisfactory. Production of the oils of primary importance is maintained at a fair level and enables substantial allocations to be made to the consuming industries, more particularly those concerned with edible products. Paint manufacturers, soap makers and other technical users are supplied on a restricted yet reasonable basis. The official schedule of maximum prices will continue in operation until May 31st but was due for review and adjustment this week. The market for oil seeds is steady but quiet, with the U.K. Control a moderate buyer of Indian ground nuts and linseed. Shipments of Plate linseed are on a very moderate scale and make but little impression on the huge quantity still to be marketed. The Argentine Ministry of Agriculture report the exportable surplus to be 1,264,000 tons, compared with 368,000 tons a year ago when oilseed crushing countries on the Continent of Europe were still able to do business. The position is very different to-day and Plate growers have good ground for anxiety regarding the disposal of their product.

Food Control.—Licences will have to be obtained after June 16th for the manufacture of cocoa, chocolate and sweets. The Order applies to all undertakings whose output was more than 25 tons during 1940.

The Minister of Food has made Orders fixing maximum prices for the following articles: tapioca, sago, processed cheese, canned sardines, damsons and purple egg plums. Perch from the Lake District is now being canned in Liverpool and will be on sale in a few weeks.

An Order made by the Minister of Food, which comes into force on June 2nd, prohibits the manufacture or sale of

vitamin C, except under licence. Vitamin C for medicinal, pharmaceutical or scientific purposes is exempt from the Order.

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

	Daily Average Sales	St'ks (at cost) end- Mar
	1941	
Jan. Feb. Mar.		

(a) By Commodities				
Non-food Merchandise:—				
Piece-goods	-26.4	-9.0	+13.1	+18.6
Women's Wear	-6.3	+11.9	+1.0	+8.4
Men's and Boys' Wear	-21.2	-13.8	-14.9	+8.4
Boots and Shoes	+19.9	+21.4	+17.3	+10.2
Furnishing departments	-27.8	-18.5	-19.9	+12.6
Hardware	-13.6	-8.5	-9.7	+3.9
Fancy departments	-3.0	+14.4	+7.4	+2.1
Sports and Travel	+2.9	+28.8	-0.9	+1.3
Miscellaneous	+1.0	+2.0	-1.2	+47.0
Total	-	-	-	-
Non-food Merchandise	-8.8	+1.8	-2.1	+10.7
Food and Perishables	+5.8	+3.5	-2.1	+15.4
Total	-	-	-	-
All departments	-0.3	+2.9	-2.1	+11.2

(b) By Districts				
Scotland	+9.2	+9.4	+9.7	+11.3
North-East	+7.8	+8.2	+1.2	+22.1
North-West	+5.0	+7.0	+2.7	+16.3
Midland and S. Wales	+8.9	+11.7	+2.7	+8.2
South England	+2.6	+7.5	+0.8	+21.2
Central & West-End	-31.8	-16.1	-17.9	+0.9
London	-	-	-	-
Suburban London	-11.1	-8.6	-12.9	+9.0

Source: Board of Trade Journal.

"THE ECONOMIST" SENSITIVE
PRICE INDEX
1938 = 100

	May 15, 1941	May 16, 1941	May 19, 1941	May 20, 1941	May 21, 1941
Crops	108.5	108.5	108.5	108.5	108.5
Raw materials	173.6	173.1	173.2	173.4	172.6
Complete Index	137.2	137.0	137.1	137.2	136.8

	Mar. 31, 1937	Aug. 31, 1939	May 21, 1940	April 21, 1941	May 14, 1941
Crops	147.9	92.2	107.3	108.3	108.5
Raw materials	207.3	122.9	166.9	174.2	178.5
Complete Index	175.1	106.4	133.8	137.3	137.2

* Highest level reached during 1932-37 recovery.

COMPANY MEETINGS

THE NATIONAL BANK OF INDIA LIMITED

TOTAL DISTRIBUTION OF 16 PER CENT.

COMMENTS BY THE CHAIRMAN MR. R. LANGFORD JAMES

The following is the statement by the chairman (Mr. R. Langford James), which is to be submitted at the one-hundred-and-twenty-seventh ordinary general meeting of the National Bank of India, Limited, to be held on the 27th instant.

Following the lead of many other companies it has been decided that the proceedings at our general meeting this year will be of a formal character. I take the opportunity, however, on the occasion of the issue of the directors' report and the accounts, to address a few brief remarks to the shareholders instead of making the comprehensive survey of the Bank's business, usually expected from the chairman at the annual meeting.

Shortly after our last meeting we lost our deputy chairman, Mr. J. A. Swan, whose sudden and untimely death is deplored deeply by all who knew him. A greatly respected and popular member of our board, with wide knowledge of business and possessed of shrewd judgment, his colleagues desire to record their appreciation of Mr. Swan's valuable services to the bank. Since we met last the board have appointed Mr. J. K. Michie and Mr. E. H. Lawrence, Directors. Mr. Michie succeeded Mr. Swan as chairman of Messrs Steel Brothers and Company, Limited, and we have reason to congratulate ourselves on having secured his valuable services.

It gave us great satisfaction to invite Mr. Lawrence, our general manager, to occupy a seat on the board where his unrivalled knowledge of our business is of great value. In March last Mr. Lawrence completed fifty years in the bank's service, a unique event in the record of the bank's general managers, and one on which he received congratulations from many quarters.

NET PROFITS ONLY SLIGHTLY LOWER

For reasons already explained it has been impossible to present our accounts for the year ended December 31, 1940, at a time approximating the date when our annual meeting is usually held. Full returns from our branches are now to hand enabling us to give the information which, in normal circumstances, would have been in the possession of shareholders earlier in the year.

The net profits, which have been arrived at after making full provision for bad and doubtful debts and for taxation, amount to £439,943, and are only slightly lower than those earned during the previous year. The sum necessary to provide for taxation liability was considerably in excess of the previous year's requirements.

ADVANCE IN CURRENT FIXED DEPOSIT AND OTHER ACCOUNTS

One of the principal features of the balance sheet is the increase in the amount representing current, fixed deposit and other accounts which aggregate £34,750,000 against just over £29,000,000 at the end of the previous year. This is coincident with a decrease of over £2,000,000 in the total of discounts, loans receivable and other sums due to the bank—an indication of the restriction in the demand for banking accommodation due to the general disabilities created by war conditions. In this connection it is interesting to note that the statements furnished by the scheduled banks to the Reserve Bank of India on December 27th last disclosed demand liabilities amounting to Rs.174,94,00,000 as against Rs.146,57,00,000 on December 29th, 1939, whereas their advances aggregated Rs.101,45,00,000 against Rs.143,16,00,000. Our cash on hand increased and the figure at which it stood, viz., £9½ millions odd, was £2,660,000 higher than at the close of the previous year, while the item on that occasion of £1½ millions representing Loans Payable has disappeared. Indian Government Securities show little change while British Government Securities are £1,335,000 higher. These assets together amount to £14,646,000 and appear in the balance sheet at a figure below the market value on the date our accounts were made up. Taken in conjunction with the large cash balance already alluded to the ratio to the Bank's liability on current, fixed deposit and other accounts is slightly under 70 per cent.—a proportion which we should prefer to see lower with a corresponding increased outlet for our resources in financing the trading requirements of India and the other countries in which we operate.

The only other item of note in the balance sheet is the increase in the amount of bills of exchange outstanding of over £2½ millions, principally due to the longer period occupied in transit of the bills.

DIVIDEND DECLARATION

The directors thought it desirable in view of the unavoidable delay in submitting the accounts to declare, instead of awaiting the approval of a final dividend, a further interim dividend, which was paid on April 3rd, making a total distribution for the year of 16 per cent.

They now propose to allocate a sum of £50,000 to the Staff Pension Fund and £70,000 towards reduction of House Property Account. Provision under the latter heading will then have aggregated £220,000 during the last three years. The amount we propose to carry forward to the current year is practically the same as that brought in from the previous year's accounts.

THE OUTLOOK

In the present circumstances it is not my intention to make the customary survey of conditions in the countries and the industries in which we are mainly interested but a few remarks as to prospects appear to be called for. Primarily we are an exchange bank, which means, of course, that we are interested in the flow of commodities from and to the countries in which we operate. When we take into account the fact that European markets outside those of the United Kingdom, and other markets also are closed to our constituents for both outward and inward trade, and when we consider the strain imposed on shipping space by war conditions, the effect on our business must be obvious. While there is no reason to suppose that we shall not continue to secure our usual share of such business as is being transacted, I must confess to viewing the immediate future as more likely to show results below the average than the reverse. Nevertheless, it is the case that often in business and usually in war the unexpected happens, and so I trust my forecast may prove to be unduly sombre.

Our expressions of appreciation of the services rendered by our staff have never been of a perfunctory nature; under present conditions they are more than ordinarily cordial. Many of the staff are serving in the Forces of the Crown. We wish them Godspeed, and we extend to them our heartfelt hopes for their safe return. A burden of extra work is, of course, being borne—willingly and cheerfully—by those who have had to stay behind. In thanking them let me say that we are deeply sensible of all they are doing to keep the flag flying.

THE LIVERPOOL & LONDON & GLOBE INSURANCE COMPANY, LIMITED

105TH ANNUAL REPORT

In a statement circulated with the 105th annual report of the Liverpool and London and Globe Insurance Company, Limited, the chairman, Mr. A. Kentish Barnes, indicated that the company's report for 1940 showed satisfactory progress, though not quite attaining the 1939 standard.

New life figures were lower at £1,390,963, reflecting the average experience of offices generally. Fire business, at home and overseas, showed well-maintained premiums at £3,826,861, but higher losses at £1,761,384. Good progress had been made in the accident department, premiums being £4,606,441, and claims £2,345,813. Marine premiums rose to £885,597.

Underwriting profits totalled £644,458. Interest to profit and loss account was £374,205, and the balance carried forward was £1,459,211.

The directors recommended a dividend payment of 13s. 6d., making 27s. per share, less tax, for the year, being the same as for 1939.

IMPERIAL CHEMICAL INDUSTRIES, LIMITED

HOME FACTORIES WORKING TO CAPACITY

EVERY EFFORT MADE TO MAINTAIN EXPORTS

LORD MCGOWAN ON TAXATION

The annual general meeting of Imperial Chemical Industries, Limited, will be held on the 29th instant in London.

The following statement by the chairman (the Rt. Hon. Lord McGowan, K.B.E., D.C.L., LL.D.) has been circulated with the annual report and accounts:

In the home trade the war has been the source, direct or indirect, of ever increasing requirements for nearly all our products, and in general the company's factories at home worked to full capacity during the whole of 1940.

In particular we had during the year to meet increased demands owing to the reduction or cessation of competing imports, to the necessity to expand agricultural production at home and to the fact that many of our goods are of direct importance in the manufacture of war material.

At our meeting last year I told you something of our price policy. We were able in 1940 to continue the course I described for our main products almost up to the close of the year. But the growing pressure of rising costs outside our own control then forced us to advance certain prices in the home trade and to warn our customers that we might have to make further increases at intervals during the present year. Our customers have expressed their appreciation of the policy we have followed and their gratitude at the efforts we have made to meet their requirements.

OVERSEAS ACTIVITIES

War-time conditions have presented us with new problems affecting the company's activities overseas. I need not tell you we have not neglected our export trade. This branch of business is still of great national importance, for it furnishes purchasing power to pay for imported materials vital to the war effort. We have therefore regarded it as a duty to do everything possible to maintain our exports and shall continue so to do.

We have had to meet the difficulties of irregular shipping facilities and progressively more severe exchange control, while the demand abroad for the company's products in many cases increased owing to the cessation of supplies from enemy sources. The practical steps taken by the Government to foster export trade, notably the organisation of the Export Council and Export Groups, the extension of export credit facilities, and the establishment of the United Kingdom Commercial Corporation, have proved of great assistance in this sphere.

CONTINUED EXPANSION

Our main manufacturing subsidiary or associated companies in the British Empire—Imperial Chemical Industries of Australia and New Zealand Limited, Canadian Industries Limited, and African Explosives and Industries Limited—continued to prosper and expand. They are subject to the same forces which affect us. Their relations with their respective Governments grow closer and closer. Their object, like ours, is to serve the Empire need to the full. In sympathy with the urgent necessity in war conditions for local sources of supply, they continue to expand their own manufacturing capacity. In their respective countries they too are undertaking fresh tasks for their own Governments and ours, and are doing all they can to help in the establishment of new factories for war purposes. We are proud to record what they have accomplished.

These companies have also been of very material assistance to us in our export trade, since in certain directions urgent needs at home interfered with our ability to supply from our own works and the overseas companies enabled us to maintain our markets by meeting the demand from their factories. We are also greatly indebted in this respect to our friends Messrs E. I. du Pont de Nemours, of Wilmington, U.S.A.

RESEARCH

The research in our laboratories during 1940 was largely directed to efforts to assist the better prosecution of the war. In addition

to service requirements, manufacture of products either to replace those previously imported or to supply new demands under war-time conditions and the development of new products for sale to export markets involved considerable research in devising processes to make use of available raw materials. Our agricultural research station is co-operating with the Government on various problems related to the increase of domestic food production including the national silage campaign. Considerable progress is being made on a process for the production of feeding stuffs from straw for cattle.

THE STAFF

The number of our employees serving with H.M. Forces at December 31, 1940, was 9,664, and the company has continued to pay the allowance instituted at the outbreak of the war, while their membership of the pension funds has been maintained.

It is with regret that I have to announce that from the outbreak of war to the end of 1940 71 employees lost their lives on active service, 29 more are known to be prisoners of war, while a further 23 have been posted as missing.

Among all our employees there is a noteworthy spirit of voluntary contribution to the war effort. For example, every factory has a fully trained and qualified A.R.P. personnel, while many of our staff and workers not so engaged are members of the Home Guard.

CONSOLIDATED ACCOUNTS

We have again been able to place before you both the legal accounts contained in the annual report of the directors and the consolidated accounts in a separate document.

The consolidated accounts show the combined assets and liabilities at December 31, 1940, and the combined income for the year 1940, of Imperial Chemical Industries, Limited, and 111 subsidiary companies. A note on the balance-sheet tells you that the audited accounts of certain subsidiaries are not available for consolidation. Six of these, situated in enemy or enemy-occupied countries, have each a written-down book value of £1. The others we know have all made profits, but their final accounts are delayed.

The total gross income shown in the consolidated income statement is £18,375,000, compared with £15,343,000 for 1939. This increase of £3,032,000 is chiefly due to additional manufacturing and trading profits brought about by the larger volume of business.

EFFECT ON TAXATION BURDEN

Net consolidated income, however, has declined from £7,678,000 to £6,756,000, a fall of £922,000. The factor which almost alone turns an increase of £3,032,000 in gross income into a reduction of £922,000 in net income is the charge for taxation shown on the statement. Here it is seen that the net taxation burden to be borne by the company and its subsidiaries is £7,385,000, against £3,654,000 in the previous year, an increase of £3,731,000.

The standard rate of income-tax was raised to 8s. 6d. for 1940-41, as against 7s. for the previous fiscal year, but, as shown in the legal profit and loss account, we used £497,000 from provisions made in previous years against future additional liabilities, whilst the amount of income-tax recoverable from stockholders' dividends rose with the standard rate. The increased taxation charge is in the main, therefore, on account of heavier provision for Excess Profits Tax. Due to the application of the varying rates of this tax for broken periods, the average rate appropriate to our excess profits for the calendar year 1940 was 90 per cent., against 45 per cent. for 1939. For 1941 it will be the full 100 per cent., although we now have a welcome concession made by the Chancellor of the Exchequer in his recent Budget, viz., that 20 per cent. of the net tax paid at the 100 per cent. rate will be repaid by the Government after the war under certain conditions. This concession gives the taxpayer a valuable deferred asset maturing when it will be most needed, although

the conditions attaching to eventual repayment—other than the certainty that it will be subject to income-tax at the standard rate then in force—are yet to be defined.

DISADVANTAGES OF PRESENT RATE

Whilst I fully believe in maximum taxation as a vital necessity in the present war economy and have never been amongst those who have cavilled at an E.P.T. rate of 100 per cent., yet I foresee difficulties and disadvantages in the continuance of such a rate. The most important of these—and the concession just mentioned does not afford any relief—arises in that the taxpayer is obliged to hand over the whole of his excess profits in cash whilst such profits are certain to be locked up to a great extent in increased stocks at higher price levels and in the larger book debts which of necessity accompany expansion of business. Stringency in supply of liquid capital thus occasioned, apart from its detrimental effect on the smooth running of any kind of business, might well have a serious consequence in the hindrance of natural and possibly nationally beneficial development.

Again, this rate of 100 per cent. does not enable the taxpayer to provide adequate depreciation on capital expended in the national interest on purely war-time projects. The Finance Acts contain provisions designed to meet this difficulty, but they do not entirely remove the risk of capital loss. In my view, every taxpayer should be entitled to a lien on his own excess profits to the full extent necessary to write off capital so expended—much of it at the direct request of the Government—and I hope that at the proper time it will be found possible for industry to be given this safeguard.

The effect of special war taxation on our results for 1940 may be illustrated by the fact that 70 per cent. of our consolidated income is required for taxation, 25 per cent. for net dividends to stockholders, and only 5 per cent. goes to free reserves of the company and its subsidiaries. For 1939 these figures were respectively 51 per cent., 35 per cent., and 14 per cent.

MISCELLANEOUS EXPENDITURE

Of the other charges in the consolidated income statement, the miscellaneous expenditure written off includes £454,000 for air-raid precautions. In addition, however, to this charge, which mainly concerns new expenditure of a structural nature, there has been charged, before arriving at the manufacturing and trading profit, all expenditure in the maintenance of air-raid precaution measures formerly provided together with that on other kinds of defence precautions and preparations. The total amount under all these headings in 1940 was nearly £1,100,000, whilst the cumulative total to December 31, 1940, was over £2,000,000. In addition, War Risks Insurance of stocks and stores, also charged before arriving at the manufacturing and trading profit, amounted to £326,000 in 1940. The drain on our cash resources in respect of all these special war-time measures is, of course, very severe. There is, however, a substantial, though unfortunately delayed, recovery in this respect in that for a portion of the A.R.P. expenditure repayments in cash will be obtained, whilst the remaining charges will be partially recovered either by way of direct allowance against profits for current taxation or by adjustment of Excess Profits Tax after the war under certain provisions in the Finance Acts.

The charge for obsolescence and depreciation in the accounts of Imperial Chemical Industries Limited was £2,000,000, the same figure as in 1939, and in addition subsidiary companies provided in their own accounts £1,070,000.

INCREASED TOTALS

In the consolidated balance-sheet the totals of current assets and current liabilities show considerable increases which reflect both the expansion of trade and the increased taxation liability. Assets at December 31, 1940, consisting of investments, debts and stocks in enemy or enemy-occupied territories, were reserved against in full.

The surplus of combined assets over combined liabilities and share capital rose from £14,666,000 to £16,204,000 during the year.

Dealing now with the legal accounts of Imperial Chemical Industries, Limited, itself, the net income shown in the profit and loss account is £6,418,000, as against £7,313,000—a reduction of £895,000, occasioned by the incidence of heavier taxation charges already referred to. The appropriations made by your

board and its recommendation in regard to the final dividend on the ordinary stock are set out fully in the report of the directors.

BALANCE-SHEET ITEMS

The company's legal balance-sheet calls for little detailed comment. The directors' report has explained that Excess Profits Tax provisions have this year been made in the accounts of home subsidiary companies and not in the accounts of Imperial Chemical Industries, Limited, itself as was done in 1939. In consequence the liability for "Sundry Creditors and Provision for Taxation and Contingencies" does not show any large increase, as would otherwise have been the case, whilst the figure of "Dividends (less tax) due from Subsidiary Companies" reflects a diminution mainly attributable to the change in procedure.

The marketable investments figure shows a reduction due to the requisitioning of our remaining investments in the U.S.A. by H.M. Treasury under certain Acquisition of Securities Orders, 1940, though as some part of the proceeds was not received until 1941 the sales were not wholly reflected in the cash balance at December 31, 1940.

REALISATION OF AMERICAN SECURITIES

Stockholders have in the past been made familiar with the company's policy of gradually realising American securities and we no longer hold any investment in United States industries. It might here be appropriately mentioned in regard to the former large holding of shares in the General Motors Corporation originally owned by Nobel Industries Limited which came into the I.C.I. merger in 1926 (and in 1928 distributed its assets in a specie liquidation) that, as between the original sterling cost of those shares and their ultimate total sterling realisation, there has arisen during a period of years a profit of over £6,500,000. Such portion of this amount as has accrued to Imperial Chemical Industries, Limited, has been applied from time to time either in transfer to the published reserves of the company or in the specific writing down of assets.

ADDITIONS TO RESERVES

Particulars of the company's reserve accounts are given in the annual report, and it will be noted that the war contingency reserve, in addition to £339,000 appropriated from profits, has received £1,500,000, being surplus arising on the final sale of the U.S.A. investments referred to above.

To war contingency reserve there have also been transferred as at December 31, 1940, certain free reserves from subsidiary companies amounting to £483,000 and from the total there has been deducted a provision of £572,000 to meet estimated premiums under the War Damage Act, 1941, covering the proportion of the insured period up to December 31, 1940. As the Act itself provides specifically that such premiums are of a capital nature and are not allowable as a deduction for taxation, your board decided that this was the correct method of treatment. The war contingency reserve is now therefore increased by a net figure of £1,750,000 and stands at the substantial amount of £2,750,000 as compared with £1,000,000 at December 31, 1939.

The company's total reserves and carry forward amounted at December 31, 1940, to £21,147,000, an increase of £3,000,000 over the corresponding total last year.

THE GENERAL POSITION

In present circumstances I am sure you will not expect me to make any prophecy as to the future. This will only be revealed as the war progresses.

You will not need to be reminded of the bad moments and the good through which we all passed last year, or of how, following the precarious situation of the early summer, the nation showed amazing fortitude during the air attacks of the autumn until, saved by the indomitable courage of the Royal Air Force, it had by the winter regained its breath.

Words are almost inadequate to express our feelings of gratitude to our brave airmen, to our splendid Navy, and to the home and Imperial forces.

We are fortunate in this life and death struggle in having such a brilliant leader as our Prime Minister, Mr Winston Churchill; his unique qualities, his shining courage, his staunch conviction, which we all share, that final victory must and will be ours, inspire all of us to still greater efforts, and we hope Mr Churchill will be spared to lead us to such a peace as will remove the menace of military aggression for all time.

THE STANDARD LIFE ASSURANCE COMPANY

STRINGENT VALUATION OF ASSETS
LARGE INVESTMENTS IN GOVERNMENT SECURITIES

INTERMEDIATE BONUS MAINTAINED

MR. H. A. JAMIESON'S REVIEW

The one hundred and fifteenth annual general meeting of the *Standard Life Assurance Company* was held in Edinburgh on the 20th instant. Mr H. A. Jamieson, chairman of the company, was in the chair.

The manager and secretary having read the auditor's report, the chairman said: Gentlemen,—May I take it to be your wish that the directors' report, which is in your hands, be held as read?

The year covered by the report has been another difficult year for life assurance companies. Under wartime conditions we cannot expect a large flow of new life assurance business, and the difficulties in the way of investment are too well known to require elaboration.

Nevertheless, the report which we have before us is a satisfactory one. You will see that new life business, including group life assurances, amounted to a total of £2,245,000, which is 56 per cent. of the corresponding amount completed during the financial year ended November 15, 1939. When we consider these figures, bearing in mind that a large proportion of our outdoor staff is serving in the forces, we may feel that this total reflects great credit on those who are carrying on the work at the present time. Their task has not been made easier by our decision to transfer our two London offices to Kingswood and our Bristol office to Edinburgh. The work of these branches continues, but inevitably the changes have rendered our new business organisation in those districts temporarily less efficient.

The amount of deferred annuities granted during the year is substantial although considerably less than the amount granted last year. It is satisfactory, however, to note a large proportionate increase in the amount of new immediate annuities. In the year under review the purchase price secured by the sale of immediate annuities was £346,000 as compared with the previous year's total of £87,000.

INCREASED PREMIUM INCOME

The revenue account of the life assurance and annuity fund shows an increase in our premium income of £28,000 over the corresponding figure for the previous year, bringing the total up to £2,570,000. It is satisfactory that we have so far been able to maintain and even to increase our premium income in these uncertain times. The interest revenue after deduction of income-tax is £1,306,000, being £25,000 greater than last year. This represents a net rate of interest earned on the life assurance and annuity fund during the year of 4 8s. 4d. per cent., which, although lower than that earned last year, will no doubt give satisfaction to members. In addition to the interest income, over £41,000 was transferred as surplus income from the guarantee fund to the revenue account of the life assurance and annuity fund.

Turning to the other side of the accounts we find that the total of the claims by death is £693,000, a decrease of £85,000 to that of the previous year. Included in this total is a sum of £50,000 due directly to enemy action. Claims by maturity own for no special comment. Commission and expenses of too management taken together are about £40,000 less than last year, ourselves because of the reduction in new business. The increased premium income and the lower expenses combine to produce an expense ratio (i.e., the ratio of commission and expenses to premium income) of 10.5 per cent. This low expense ratio will be regarded as a favourable feature of the accounts. It will be seen that a sum of about £69,000 has been transferred to the staff pension fund and that the life assurance and annuity fund at the end of the financial year stood at £31,128,000.

STRINGENT VALUATION OF ASSETS

The total assets are shown in the balance-sheet at a figure of £34,362,000, representing an increase of £1,803,000 over the figure of the previous year, and members will be glad to note that the directors were able to state that in their belief the value

of the assets was in excess of the balance-sheet figure. There is, of course, a very real difficulty at the present time in estimating the true value of many of the company's investments; but the directors, after they had made a most careful and rigorous valuation of all the assets of the company, making use in the case of Stock Exchange investments of the lowest quotations in the official lists less accrued interest or dividends, found that the excess mentioned above was of considerable amount.

As I have already indicated the past year has not been an easy one from the point of view of obtaining a remunerative rate of interest on new investments. In common with other financial institutions the company is supporting the Government by subscribing largely to Government loans and the total holding of British Government securities shown in the balance-sheet at £7,826,000 represents an increase during the year of £1,731,000. When this figure is compared with the increase in our assets mentioned above it will be seen that a large proportion of our available resources is being invested in accordance with the expressed desire of the Government. I might here state that from the outbreak of the war to the present date the company has increased its investments in British Government securities by no less than £3,149,000, of which total £1,957,000 represents investment in new War Loans. Moreover, the policy of the directors at present is to invest in new War Loans all excess income over outgo arising in this country and in addition a substantial proportion of other available funds arising from the sale or redemption of existing investments. Members may therefore be satisfied that the sums they pay in premiums are contributing to the savings policy which very rightly is being insisted upon by the Government.

INTERMEDIATE BONUS MAINTAINED

In June last year intimation was made of a new rate of intermediate bonus. It was then decided that the bonus payable in respect of the period since the actuarial valuation on November 15, 1938, under policies which become claims by death or maturity would be at the rate of 30s. per cent. per annum compound under the reversionary bonus series with corresponding bonuses in other classes. Whilst this rate of intermediate bonus is being kept under constant review by the board it is not felt that any change is desirable at the present time.

APPRECIATION OF STAFF

As I mentioned last year, three members of the board, Messrs G. P. S. Macpherson, J. H. Richardson and J. R. Gifford, are serving with the forces. As regards the staff, members will be interested to know that nearly 50 per cent. of the home male staff are serving in the forces and that many members of our overseas staffs have also joined up. There is every indication that we may have to face an increase in this percentage shortly. I should like to take this opportunity of sending to those of our staff who are temporarily absent on service our very best wishes and our assurance that we look forward to the time when we shall extend to them a hearty welcome on their return. It is with deep regret and with an expression of sincere sympathy that I report that of those of our staff serving in the Royal Air Force one has been killed and another posted as missing and that a third member of the staff has been permanently disabled whilst serving in the army. The absence on service of such a large proportion of our staff places upon those who remain a grave responsibility and a greatly increased burden of work. I am sure members would wish me to record their appreciation of the loyalty and excellent spirit shown by the staff who are cheerfully bearing this heavy burden—many of them in conditions of danger and hardship.

I now move the formal adoption of the report, revenue accounts and balance-sheet submitted.

Mr F. D. Murray Baxter seconded this motion and the report was unanimously adopted.

ROYAL INSURANCE COMPANY, LIMITED

96TH ANNUAL REPORT

STATEMENT OF MR A. KENTISH BARNES

In a statement circulated with the ninety-sixth annual report of the Royal Insurance Company, Limited, the chairman, Mr A. Kentish Barnes, referred to the services rendered by insurance companies in the administration of various Government insurance schemes arising out of the war.

FIRE DEPARTMENT

Fire premiums totalled £5,546,224, and losses £2,588,663, or 46.7 per cent., whilst underwriting profit was £256,396, or 4.6 per cent. Home fire premiums showed a moderate advance but losses were substantially higher. This was only to be expected in war conditions; the company's results merely reflected the general experience. The accounts showed a loss of business in those countries which had successively been overrun by the enemy. Business in the United States had shown a further expansion, whilst loss experience had been heavier. In other areas, normal development was reported and trading results presented no special feature.

ACCIDENT AND GENERAL DEPARTMENT

Accident and general premiums at £5,970,064, showed a small reduction to which the loss of Continental business had contributed. Losses amounted to £2,895,535 or 48.5 per cent. Underwriting profit at £508,036 or 8.5 per cent. was nearly the same as in 1939. The motor account had produced a moderate profit, and in this country a feature had been a reduction in the premium income, though less in fact than had been contemplated, due to the laying up of cars. Road accidents had, unfortunately, continued to take their toll of life, and with black-out conditions accentuating the difficulties of driving, the chairman appealed to all road users, motorists and pedestrians alike, to exercise ever greater care.

LIFE DEPARTMENT

New life business declined substantially and, at £2,981,000 net, was only two-thirds of the 1939 total. Death claims, at £897,000, showed an increase of £63,000, and included was £59,000 paid on account of war deaths.

In recognition of conditions due to the war, the company had been extending to policy holders a generous interpretation of their contracts. Thus, although a large proportion are free from occupational or geographical restrictions, a number of policies issued before the war expressly excluded service with the armed forces outside this country. The company was giving full war risk cover without extra charge under such policies to all who before the war had no liability for such service, whether they were still civilians or serving with the Armed Forces, Home Guard or Civil Defence services. Again, where in consequence of the war, policy holders found difficulty in meeting premiums on pre-war policies, the company had undertaken to do everything possible, over and above the terms of the contracts, to help them to maintain their policies in full force.

MARINE DEPARTMENT

In the Marine Department, the 1939 account had been closed with a profit of £88,195. Marine insurance was particularly affected by war conditions. The hazards to which ships and cargoes are exposed were subject to frequent and violent change and were obviously quite different to those of normal times. The many complex problems arising, however, had drawn the market together, and the chairman was encouraged to hope that this co-operation would persist even when war-time problems were past. Apart from direct war risks, ordinary marine hazards were sharply increased. Many losses had occurred which, though not strictly war losses, were nevertheless due to war conditions, and they had fallen heavily upon the relatively slender rates which had prevailed for ordinary marine risks. Fortunately, some improvement in rates had been obtained in recognition of the greater risks run.

Total underwriting profit (including £46,000 on account of shareholders' proportion of life profits) was £898,627.

Interest income showed a shrinkage of £153,000 due to the increased rate of income-tax.

The balance of £2,133,000 carried forward was approximately £130,000 higher than the amount brought in.

EXPENSE RATIO

The expense ratio in the fire and accident departments worked out at 45.6 per cent. against 45.5 per cent. for 1939, and the difference was more than accounted for by heavier foreign taxation. This was no time to attempt to analyse insurance companies' expenses, but the chairman was prompted to focus attention on just one or two essentials. The public, when insuring, expected not only cover but also a high level of skilled technical service and detailed attention. Insurance, as practised by the great composite companies was in fact a widespread retail distributive service covering town and country alike, consisting of a multiplicity of small items, and dealing with millions of policies, all of which required individual consideration and treatment if the protection of insurance was to be adequate and the needs of the insuring public fully provided. The cost of this service should clearly be regarded as an essential part of the insurance protection granted, rather than an expense of management, in the ordinary sense.

COLLABORATION AND HELP FROM U.S.A.

In the final paragraphs of his statement, the Chairman referred to the collaboration and help which Great Britain was receiving from the United States. "No help could be more appreciated, as none could be more valuable. With our companies wide spread and friendly connections throughout the whole United States deep-rooted through close contacts ranging over nearly a hundred years, I would like it to be known to every one of our United States friends how sincerely grateful we are in this country for all their help. We believe, and we think every American also believes, that in this gigantic battle we are fighting not for ourselves alone but in defence of interests which it is imperative to preserve for our mutual well-being in the future. Without our fight, and our victory, the free way of life, prized equally by Americans and throughout the British Empire, is in grave danger of being lost to us all for ever."

LONDON AND MANCHESTER ASSURANCE COMPANY, LIMITED

STATEMENT OF THE CHAIRMAN, MR A. H. DAWES

Extracts from the statement by the chairman, Mr A. H. Dawes, relating to the accounts submitted to the seventy-second annual general meeting which was held, on 21st instant, in London.

I am pleased to say that the work of collecting the premium payments has been conducted steadily, in spite of the enlistment of a considerable proportion of our agency staff in the armed forces, savage aerial bombardment and widespread movements of policy-holders.

The total income for the year amounted to £4,491,694 as compared with £4,439,066 a year ago, i.e., an increase of £52,628. The premium income increased by £14,859 to £3,509,836; the gross interest income at £970,486 showed an increase of £40,835 but owing to the increased income-tax the net interest was lower by £31,664 at £681,668. Total death claims at £1,032,096 showed an increase of £20,636, while maturities showed little change at £751,148. The total assets amounted to £22,550,164 compared with £21,471,397 a year ago—an increase of £1,078,767.

It cannot too often be emphasised that money devoted to life assurance is money bound, in due course, to find its way into the new Government Loans and so help the war effort of the nation. In this connection perhaps reference should be made to the following extract from an article recently contributed to *The Times* headed "Thrift in War-Time," as a result of investigations conducted under the auspices of the National Institute of Economic and Social Research: "There are many varieties and methods of saving. We investigated 22. The most important are industrial life assurance and the national savings groups. The former is the most popular of all."

During the year we invested over one million pounds in the new war loan issues, bringing our total holding of British Government securities to 36.6 per cent. of our Stock Exchange securities.

The aggregate market value of our Stock Exchange securities as at March 24 last (taken at middle market prices, less accrued interest) was in excess of the value at which they appear in the balance-sheet.

COMMERCIAL UNION ASSURANCE COMPANY, LIMITED

SIR BERTRAM HORNSBY'S STATEMENT

The annual general meeting of the Commercial Union Assurance Company, Limited, will be held on the 27th instant.

The following are extracts from the statement of the chairman, Sir Bertram Hornsby, C.B.E., which has been circulated with the report and accounts:

When addressing you last year I referred to the difficulties of giving any indication of the probable effect of the war on our business, but drew attention to the fact that a very substantial proportion of our total premium income (other than life business, which is almost entirely confined to the United Kingdom) was derived from countries in which we might reasonably expect to be able to continue our operations. It is fortunate that this should be so, for at this moment almost the entire Continent of Europe is closed to us, and although we regret the temporary severance of ties which in many instances have been of long standing, you will note from the revenue accounts that it has been possible substantially to maintain the volume of our business, the total (fire, marine, and accident) net premiums being £14,426,005, as compared with a corresponding figure in 1939 of £14,447,997.

After dealing at length with the various departments, the statement continued:

Our current bonus period ends on December 31, 1942. In view of the uncertainty as to the immediate future, the question of the interim bonus to be allowed on policies becoming claims has been under constant consideration. At the present time we are allowing a bonus on "with profit" policies which, in the old series, is equivalent to a minimum cash bonus of 16 per cent. of the premiums due and paid since December 31, 1937, and, in the new series, to a reversionary bonus of £1 per cent. on the sums assured for each year's premium paid. The directors hope to be able to continue these rates for the remainder of this year (1941), but must obviously reserve the right to change them at any time should circumstances so demand.

PROFIT AND LOSS ACCOUNT

The gross amount received from interest, dividends, and rents, £987,190, shows a reduction of £24,213 compared with last year, and is a consequence of enemy occupation of Continental countries and of further refundings of maturing securities at lower interest rates. Transfers from departmental accounts amount to £950,000, an increase of £150,000 compared with 1939, but as we have adopted this year the more usual practice of charging Dominion, Colonial and foreign taxes in the profit and loss account instead of in the departmental revenue accounts the real increase in the transfers is about £30,000.

The sum of £25,000 has been applied in writing down freehold premises, £100,000 has been transferred to Guarantee and Pension Fund, and £335,000 to general reserve. The balance remaining will suffice to meet the cost of the final dividend recommended by the directors of 3s. 6d. per £1 stock, leaving £94,655 to be carried forward, an increase of £12,056.

BALANCE-SHEET

Since Government war borrowing in the market began, new investment has been confined almost entirely to purchases of war issues. In the case of the life fund the balance-sheet on page 9 reveals a total holding of British Government securities of £7,845,091. This is an increase of more than £870,000, and exceeds the £752,000 by which the total fund advanced during the year. The investment of so large a sum in securities bearing very low rates of interest entails a sacrifice on the part of the "With Profit" life policyholders, but with such great issues at stake the successful prosecution of the war on the financial front is a matter of paramount importance. Since the first War Loan in March, 1940, we have invested to date altogether £2,250,000 in the various war issues.

The only other point in the consolidated balance-sheet to which I should direct attention is the increase of some £600,000 in foreign Government securities and a fall of some £900,000 in railway and other debentures. These movements reflect exchanges from United States utility and railroad bonds to United States Government issues.

The general reserve fund has increased by £162,695 to £4,723,928.

INCORPORATED ACCOUNTANTS

CONCENTRATION OF PRODUCTION

The annual meeting of The Society of Incorporated Accountants and Auditors was held, on the 22nd instant, in London.

Mr Percy Toothill (the president) said that the fact that accountancy was recognised as work of National importance and that in consequence it was scheduled as a reserved occupation had not prevented large numbers of the Society's members from joining and serving with the armed forces of the Crown, while others were serving in administrative and executive positions in military and civil services. As a result, accountancy firms had been seriously depleted and it was increasingly difficult to meet the normal demands for professional service in connection with auditing and taxation.

GOVERNMENT POLICY

It was inevitable that important divisions of the economic policy of the Government had been subjected to criticism but the several schemes, if taken together, presented a measure of coherence. Economic policy must be directed to the fullest possible transfer of resources to war production and to vital exports. This could be achieved in two ways and two ways only—firstly by reducing civilian home demand and secondly by reducing supplies; so far the emphasis had been mainly on the second method while spending power, curbed though it was by taxation, by savings and by rating, remained at a high level. The reduction in supplies by means of raw materials controls and limitation orders was now to be followed by the concentration of production programme of the Board of Trade. This policy of concentration was as necessary as it was unpalatable, but the manufacturing concerns displaced, whether voluntarily or by action of the Board of Trade, should be made to feel that they were being treated fairly. Concentration should be based on individual circumstances and not on general rules, and Mr Toothill, therefore, suggested the need for an Advisory Committee, acting under the Export and Production Council, to give advice as to how concentration could be achieved. Compensation should be so computed that it made no difference to profits whether a business was closed or became a nucleus firm.

On the other hand, concentration should not be attempted where it would not release personnel, materials or factory space for war production. Transfer of quotas or agency agreements were preferable to mergers as the identity of the "closed" firm was preserved thereby. In selecting nucleus firms the test should be efficiency—not size—and temporary concentration should not lead to eventual cartelisation or permanent rationalisation. Smaller firms exhibited a high degree of efficiency, but sometimes it was too readily assumed that large scale production was invariably more efficient. Under the concentration scheme it was not necessary for the smaller concerns to gravitate automatically toward the larger. Nevertheless, there were serious grounds for doubt as to whether in some directions this definite aspect of Government policy was being observed as it should be. It was not possible to look very far ahead in these difficult days, but it was clear that at the end of the war we should have to distribute our resources between capital goods and consumption goods in proportions yet unknown. It was, therefore, important that the Government's policy should, as far as possible, provide for the re-employment of labour, the development of our markets and the re-establishment of the small independent concern.

DIFFICULTIES OF PRICE CONTROL

The Prices of Goods Act presented many problems to accountants, who would have preferred to judge "profitability" on the results of a year's trading rather than on single transactions. An attempt to fix maximum prices might lead to certain goods being driven off the market; further, there were technical difficulties in segregating costs to a single article and in relating permitted increases to a pre-war standard—now two years out of date. Industry was already over-burdened with forms and investigations and it was to be hoped that price control would not be unduly extended. In his view taxation was nearing its effective limit, and there was strong evidence that EPT at 100 per cent. had hindered the war effort. It was, therefore, necessary to explore other methods of restricting consumption.

BRITISH MATCH CORPORATION, LIMITED

DIVIDEND 8 PER CENT.

The fourteenth ordinary general meeting of British Match Corporation, Limited, was held on 21st instant in London.

Sir Clarence E. Bartholomew, O.B.E. (chairman and managing director of the company) presided.

In the report submitted to the meeting it was stated that the net revenue for the year ended April 30, 1941, as shown in the accounts, amounted to £391,566, as against £451,269 for the previous year, the reduction being entirely due to increase in income tax and National Defence Contribution. To this sum had to be added the balance of £87,000 brought forward from the last account, and after allowing for the dividends already paid, £105,420, there was a balance of £373,146 available for distribution.

It was proposed to place £100,000 to dividend equalisation reserve, and to pay the dividend on the preference stock for the half year to April 30, 1941, at the rate of 5½ per cent. per annum.

The recommendation as to dividend on the ordinary stock was that a final dividend of 5½ per cent. should be paid, making a total of 8 per cent. for the year compared with 7½ per cent. last year.

Importations of matches had practically ceased, but a reduction in consumption and increased home manufacture had, so far, sufficed to meet the National needs.

The profits of subsidiary and associated companies were entirely satisfactory, though the amounts available for distribution were curtailed by the inevitably high rates of taxation.

The report was unanimously adopted.

STEWARTS AND LLOYDS, LIMITED

SOUND POSITION

The fifty-first ordinary general meeting of Stewarts and Lloyds, Limited, was held, on the 20th instant, at the registered office of the company in Glasgow.

Mr A. C. Macdiarmid, the chairman, presided.

The notice calling the meeting was held as read, and the secretary (Mr William Stewart) read the auditors' report.

The chairman said: A copy of the directors' report has been sent to each stockholder, and I presume that, in accordance with your usual custom, you will agree to hold it as read. I am not at liberty to make at this meeting a speech on the usual lines. I shall, however, read to you the statement which I circulated with the report and accounts:—

Stockholders may find it difficult, owing to circumstances arising from the war, to attend the annual general meeting to be held in Glasgow on 20th instant. I am, therefore, circulating with the report and accounts this statement in place of the speech which, under normal circumstances, I should have delivered at that meeting. Cards of admission to the meeting, which will be formal, are not being issued. A quorum has been arranged, but any stockholder who wishes to be present will be welcome.

Stockholders will appreciate that it is not possible for me to make the usual detailed review of the company's activities. I can, however, give the assurance that our whole energies and effort are concentrated both at home and in the Dominions on work of importance in connection with the war. At the same time it is evident from the accounts submitted that the company's affairs are in a sound condition.

THE DIRECTORATE

I refer with deep regret to the loss suffered by the board through the death of Mr H. Eliot Howard. Mr Howard joined the service of Lloyd and Lloyd, Limited, in 1895, and became a director of Stewarts and Lloyds, Limited, in 1925.

It gives me great pleasure to refer to the acceptance by Sir Walter Benton Jones, Bt., chairman of United Steel Companies, Limited, of an invitation to join our board. At the same time I accepted an invitation to join the board of United Steel Companies, Limited. These appointments are of a personal character and are an indication of the friendly relations that exist between the two companies.

The board wish to express their appreciation of the services rendered by the whole body of staff and employees of the company under most difficult and trying conditions.

I move that the report and accounts for the year 1940 as submitted to this meeting be hereby received and adopted.

Mr Wm. Forbes seconded the resolution, and it was adopted. The chairman: I move "That the dividends as detailed in the directors' report to the stockholders dated May 9, 1941, be paid—these dividends to be paid on or after May 24, 1941, to the stockholders whose names are on the register at the date of this meeting, and that £182,689 be carried to the accounts for the year 1941."

Mr Forbes seconded the resolution, and it was adopted.

The retiring directors were re-elected and the auditors were reappointed.

The chairman: That concludes the business.

CHAMPION REEF GOLD MINES OF INDIA, LIMITED

ENCOURAGING DEVELOPMENTS

The annual general meeting of the Champion Reef Gold Mines of India, Limited, was held at Thames House, London, E.C.

The Hon. A. T. J. Fraser, D.S.O., the chairman of the company, who presided, after referring to the loss suffered in the comparatively sudden death of Mr Kenneth Taylor, said that during the year under review the tonnage crushed had amounted to 135,470 from which 65,511 ounces of fine gold had been recovered. Bullion sales had amounted to £553,791; the net income was £497,954 and working costs were £287,857. Additional Royalty of £19,137 brought the profit for the year's working down to £190,959—a decrease of nearly £9,000 on last year. With £14,000 odd brought in and £1,716 for dividends received, the sum of £206,875 was shown at the credit of profit and loss. A final dividend of 17½ per cent. or 1s. 9d. per unit of stock was paid on March 21, 1941, bringing the total dividend for the year to 32½ per cent.—a decrease of 7½ per cent.

SATISFACTORY DEVELOPMENTS ON BOTTOM LEVELS

Looking at the year's working from a broad point of view it must be considered satisfactory. Underground there had been no striking developments, but the bottom levels on both the southern section and the northern folds continued to open up as well as ever. The main cause of the reduction in dividends paid was due to the increase in taxation and Royalties both in India and in this country. He was afraid that during the current year they must inevitably expect a rise in costs. In the first place they had had to enter into a new agreement with the Mysore Government for the supply of electric power under which the total charge would be considerably increased; in the second place it had been found necessary to increase the wages paid to labour, and then there was the inevitable rise in the cost of all stores and commodities together with a high increase in freight and insurance.

It had been hoped to have had the new hoist at Gifford's Shaft in operation by the end of 1940. Delays entailed by the war had prevented that, but it was expected to be in commission by the end of June, which would complete the programme of the lay-out to depth commenced some four years ago, and together with the new cooling system should make a great improvement in the working of the mine. The ore reserve stood at 539,000 tons averaging 10.99 dwts.—almost identical with twelve months ago.

MR. SYDNEY TAYLOR'S VIEWS

Mr Sydney E. Taylor, D.S.C., in seconding the motion, said that the development results during the past had been good and the prospect of opening up further ore in depth remained eminently satisfactory. In the northern section of the property where the quartz occurred in large folds, the development of the folds at the 83rd level had been completed, and compared with the 82nd level the results showed a gratifying increase of 3½ dwts. in average value with an increase of 2.6 ins. in average width, while the total length was only slightly less. The development on the 84th level was proceeding on all limbs of the fold, and they had every reason to anticipate that the results would be quite as good as those of the 83rd level.

The satisfaction with which one could regard the mining position, and the approaching successful conclusion of a long

period of construction work which gave the property magnificent hoisting and ventilation facilities to carry work efficiently down to much greater depths, was tempered only by the inroads made on the profits by increased taxation and power rates.

The report and accounts were unanimously adopted.

OOREGUM GOLD MINING COMPANY OF INDIA, LIMITED

INCREASED PROFIT

The ordinary general meeting of the Ooregum Gold Mining Company of India, Limited, was held on the 20th instant in London.

The Hon. A. T. J. Fraser, D.S.O. (the chairman), after expressing regret at the death of Mr Kenneth Taylor, senior partner of Messrs John Taylor and Sons, said that in the year ending December 31, 1940, the mill had crushed 159,880 tons for a total recovery of 53,827 ounces of fine gold, which was 117 ounces more than in the previous year. After deducting Mysore Government Duty amounting to nearly £28,000 the net sum realised for the sale of the gold amounted to £426,765 or £7 18s. 6½d. per ounce against £7 14s. 9½d. in 1939. After subtracting £21,200 for Royalty on net sales and adding £5,790 for other receipts, the net income stood at £411,354.

Working costs and additional Royalty amounted to £294,159 and that left a profit of £117,195, an increase of more than £13,000. The disposal balance was £37,813, and the directors recommended a final dividend of 9d. per share, making 2s. or 20 per cent. on the preference shares and 1s. or 10 per cent. on the ordinary, a decrease of 2½ per cent. on the previous year due entirely to higher taxation in Mysore State and this country.

During the summer of last year a strike of native workmen had occurred and had lasted for practically a month. The loss of revenue entailed had been to a considerable extent made good by raising the grade of ore milled during the remainder of the year. The ore reserves at the end of the year amounted to 307,000 tons, averaging 9.76 dwts., an increase of 2,500 tons and a decrease of .32 dwts. in grade.

Mr Sydney E. Taylor, D.S.C., describing the result of the past year's development work, said that the final result for the year was an increase of profit of £13,368 over the previous year, a result which was the best attained for many years past, and indicated how well the mine had recovered from the lean zone around the 76th level. The company had now been brought back to a good profit-earning basis. It was therefore most unfortunate that just at this time the dividend had had to be reduced because of the new duty on gold and the incidence of Excess Profits Duty.

Although the mining position and outlook was reasonably satisfactory, he must add that the financial outlook for 1941 was clouded by the inevitable prospect of further rises in the price of materials, accompanied by increased labour and power costs. It would also be necessary in the next year or two to make provision for winding equipment for the New Auxiliary Main Winze to serve the mine below the 94th level, and for replacement of Bullen's surface steam winder, which had given over 30 years of satisfactory service.

The report was unanimously adopted.

INDUSTRIAL AND GENERAL TRUST, LIMITED

RESULTS EXCEED EXPECTATIONS

The fifty-third ordinary general meeting of The Industrial and General Trust, Limited, was held, on 22nd instant, in London.

Mr W. Sandford Poole (the chairman) said that the results they were able to place before stockholders exceeded their highest expectations of twelve months ago. The gross revenue amounted to £475,829, a diminution of only £17,691, or less than 4 per cent. One contributory cause to the fall in revenue had undoubtedly been the levy of 100 per cent. EPT borne by some of the companies whose equity stocks they held. The increase in United Kingdom direct taxation was £26,978, the total charge under that head being £175,052. In respect of the year 1939-40 they were eventually able to agree with the Inspector of Taxes that they had no direct liability for EPT. As the gross income in the accounts now presented was less than that of the previous year, it followed that the Trust would not be liable for EPT for the year 1940-41.

The net revenue, after providing for debenture stock interest

and all working expenses, was £218,851. They had transferred £30,000 to dividends equalisation account, increasing the total of that account to £230,000. That was a prudent precaution in view of the uncertainties of the times and possible difficulties of the post-war period. The preference dividend was again covered more than five times by the year's net revenue and they were able to recommend a dividend of 12 per cent. on the ordinary stock.

They had not attempted to submit a valuation of the investments this year, as they felt that an estimate of values made on the basis of so-called market quotations under the conditions prevailing would be illusory and unreliable. In the past their valuation results had compared favourably with those shown in the *Bankers' Magazine*, but even if their portfolio showed an all-over decline of as much as 10½ per cent. on the year, the depreciation so called would be covered by their reserves, with a margin of more than £1,000,000.

The report and accounts were unanimously adopted.

KONONGO GOLD MINES, LIMITED

TAXATION BURDENS

The annual general meeting of Konongo Gold Mines, Limited, was held, on 16th instant, in London.

Mr Robert Annan, M.Inst.M.M. (the chairman), who presided, in his statement of the year's operations, said that the profit and loss account, reflected the changed conditions under which they were working. The value of gold produced had increased by £112,840 over the previous year, but costs had increased by £51,592, export duty by £28,481 and provision for taxation by £47,040, so that the available profit was actually £14,371 less than in the previous year. Taxation included six months' EPT at 60 per cent. and six months at 100 per cent., so that with the full rate of EPT and the increase in income-tax, their burden would be still heavier in the current year.

In common with many of the Gold Coast producers, they were unfortunate that they had not reached full production in the standard years, with the result that their present rate of profit was due to increased output and not to the higher price of gold, which was largely nullified by the higher export duty. The value of their gold, less export duty, was only £20,000 more than if it had been sold at pre-war prices, yet their EPT liability was over £80,000, and the total of taxation, including export tax, amounted to £3 per ounce of gold produced.

That, however, was not the whole story. In order to maintain production, they must continuously open up the deeper levels of the mine. That entailed a heavy expenditure on shaft sinking, which must be provided out of earnings, but which was regarded by the Inland Revenue as a capital expense.

Faced with that situation and the fact that they still had to provide upwards of £50,000 for completion of the Odumase Shaft and for additional plant already on order, the directors did not feel justified in declaring an interim dividend as they had done in the past. They felt that the accounts showed quite clearly that the transfer of £20,000 to reserve was essential to protect the development programme, and that a dividend of 10 per cent., less tax, now recommended, was the most that could be justified in the circumstances.

On the technical side, the results gave every cause for satisfaction. The tonnage milled averaged 11,500 tons per month, which might be regarded as full output until more power was available. The cost per ton treated had increased by 21.6 per cent. That was partly due to the rise in cost of all supplies, but in part to working to a smaller stopping width. Development had been curtailed, first to conserve fuel and later on the internment of Italian miners and contractors. With a result the ore reserves showed a small decrease, which was not a matter for the least concern as they still represented well over three years' supply.

The results of the development done were most encouraging, and the exposures on the lowest levels of the Odumase Vein were particularly good, where at the end of February, 1941, the 7th level had exposed 1,285 feet ore averaging 21.3 dwts. over 43 ins., with both ends still in ore. Sinking of the Odumase shaft had continued steadily, but delivery of the main hoist and the additional engines for the power plant had been greatly delayed. Delivery of those items was expected in the near future, but a definite date could not be set under present conditions.

The report was unanimously adopted.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended May 17, 1941, total ordinary revenue was £25,827,000, against ordinary expenditure of £70,720,000, and issues to sinking funds of £130,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £375,636,000 against £205,970,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1 to May 18 1940	April 1 to May 17 1941	Week ended May 18 1940	Week ended May 17 1941
ORDINARY REVENUE				
Income Tax	20,101	44,024	2,580	6,051
Sur-tax	4,750	5,505	530	780
Estate, etc., Duties	10,880	14,725	1,870	4,172
Stamps	1,200	840	500	...
N.D.C.	2,130	2,028	220	430
E.P.T.	270	19,622	50	4,610
Other Inland Revenue	70	50	...	...
Total Inland Revenue	39,401	86,892	5,756	16,643
Customs	34,963	44,227	3,575	7,309
Excise	23,000	22,000	9,550	1,400
Total Customs and Excise	57,963	66,227	13,125	8,709
Motor Duties	5,154	4,222	...	103
P.O. (Net Receipt)	5,200	3,600	1,350	350
Crown Lands	160	170	...	...
Receipts from Sundry Loans	266	711	84	...
Miscellaneous Receipts	3,240	1,163	1,000	22
Total Ord. Revenue	111,384	162,985	21,315	25,827
SELF-BALANCING Post Office and Broadcasting	8,000	9,850	900	1,900
Total	119,384	172,835	22,215	27,727

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1 to May 18 1940	April 1 to May 17 1941	Week ended May 18 1940	Week ended May 17 1941
ORDINARY EXPENDITURE				
Int. & Man. of National Debt	40,875	48,045	584	720
Payments to N. Ireland	592	598	...	...
Other Cons. Fund Serv.	347	280	...	...
Total	41,814	48,923	584	720
Supply Services	27,471	48,836	33,500	70,000
Total Ord. Expenditure	31,652	53,789	34,084	70,720
SELF-BALANCING Post Office and Broadcasting	8,000	9,850	900	1,900
Total	32,452	54,774	34,984	72,620

After increasing Exchequer balances by £91,374, to £2,718,900, the other operations for the week (no longer shown separately) raised the gross National Debt by £45,314,476 to about £11,784 millions (after deducting £11,772,000 issued to sinking funds in 1940-41, but excluding issues to sinking funds in 1941-42).

NET ISSUES

(£ thousands)

P.O. and Telegraph 200

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1941, to May 17, 1941, are:—

	(£ thousands)		(£ thousands)
Ordinary Exp.	537,895	Ord. Revenue	162,985
Misc. issues (net)	2,323	Gross. borr.	378,051
Inc. in balances	92	Loss—	...
		Sinking fds.	726
		Net borrowing	377,325
	540,310		540,310

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1940						
May 18 1941	605-0	733-6	40-3	...	...	1468-9
Feb. 8 1941	845-0	...	Not available	...	...	...
" 15 1941	845-0	1309-4	165-5	...	355-0	2734-9
Mar. 1 1941	845-0	...	Not available	...	...	...
" 8 1941	845-0	...	...	...	...	...
" 15 1941	845-0	...	...	...	...	...
" 22 1941	845-0	...	...	...	...	...
" 31 1941	221-6	172-3	...	...	429-5	2813-4
April 5 1941	845-0	...	Not available	...	...	...
" 12 1941	850-0	...	...	...	...	...
" 19 1941	855-0	...	...	...	...	...
" 26 1941	865-0	1370-4	163-5	8-0	502-5	2909-4
May 3 1941	875-0	...	Not available	...	...	...
" 10 1941	885-0	...	...	...	...	...
" 17 1941	895-0	...	...	...	...	...

TREASURY BILLS

Date of Tender	Amount (£ millions)			Average Rate Allotted	Per Cent. Allotted at Min. Rate
	Offered	Applied for	Allotted		
1940					
May 17 1941	65-0	116-0	65-0	20 4-86	47
Jan. 31 1941	65-0	150-7	65-0	20 2-84	100
Feb. 7 1941	65-0	149-4	65-0	20 3-39	10
" 14 1941	65-0	142-5	65-0	20 4-23	23
" 21 1941	65-0	139-1	65-0	20 4-43	28
" 28 1941	65-0	160-5	65-0	20 2-43	15
Mar. 7 1941	65-0	151-2	65-0	20 0-17	42
" 14 1941	65-0	153-8	65-0	19 11-79	24
" 21 1941	65-0	131-6	65-0	20 2-95	17
" 28 1941	65-0	148-3	65-0	20 2-46	28
April 4 1941	70-0	164-7	70-0	20 2-41	26
" 11 1941	70-0	156-6	70-0	20 2-72	30
" 18 1941	75-0	161-8	75-0	20 2-63	30
" 25 1941	75-0	161-9	75-0	20 2-20	22
May 2 1941	75-0	170-4	75-0	20 3-16	11
" 9 1941	75-0	160-5	75-0	20 0-17	40
" 16 1941	75-0	154-7	75-0	20 0-18	38

On May 16th applications at £99 14s. 11d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 38 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. 0d. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury bills are being offered on May 23rd. For the week ending May 24th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

Week ended	3% Def. Bonds		2½% Bonds		New 3% Sav. Bonds	
	N.S.C.	(£ thousands)	N.S.C.	(£ thousands)	N.S.C.	(£ thousands)
Apr. 8	4,405	4,568	Nil	10,448	8,516	...
" 15	2,567	2,803	Nil	4,248	4,890	...
" 22	3,560	2,785	2	6,910	3,789	...
" 29	5,118	4,318	Nil	6,862	5,073	...
May 6	5,204	4,375	5	7,822	20,278	...
" 13	5,370	4,497	Nil	6,669	6,672	...
" 20	...	...	Nil	45,522	17,852	...
Totals to date	282,741	276,262	444,440	238,870	158,395	...
* 77 weeks. † 48 weeks. ‡ 20 weeks.						

Interest free loans received by the Treasury up to May 20th amounted to a total value of £82,017,976. Up to April 26th, principal of Savings Certificates to the amount of £33,072,090 had been repaid.

BANK OF ENGLAND RETURNS

MAY 21, 1941

ISSUE DEPARTMENT

	£		£
Notes issued:		Govt. Debt	11,015,100
In Circulation	629,713,217	Other Govt. Securities	666,271,202
In Banking	2,708,074	Other Secs.	2,708,074
Dept.	50,528,358	Silver Coin	6,723
		Am't. of F.R.I. Issue	680,000,000
		Gold Coin & Bullion (at 108s. per oz. fine)	241,575
	680,241,575		680,241,575

BANKING DEPARTMENT

	£		£
Props. Capital	14,553,000	Govt. Secs.	121,557,538
Res.	3,196,927	Other Secs.	12,568,764
Public Depts.*	39,857,653	Advances	19,533,139
		Securities	50,528,358
Other Depts.	96,583,030	Notes	82,151,894
Bankers' ...	51,692,070	Gold & Silver Coin	1,644,590
Other Accts.	148,275,100		
	205,882,680		205,882,680

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

THE WEEK'S CHANGES

Both Departments	Compared with	
	May 21, 1941	Last Week
COMBINED LIABILITIES		
Note circulation	629,713	+ 201 + 89,216
Deposits: Public	39,858	+ 25,450 + 7,075
Bankers	96,583	+ 18,937 + 6,468
Others	51,692	+ 418 + 5,613
Total outside liabilities	817,846	+ 6,386 + 80,435
Capital and res.	17,750	+ 17 + 17
COMBINED ASSETS		
Govt. debt & securities	798,844	+ 6,803 + 84,808
Discounts and advances	12,569	+ 319 + 5,578
Other securities	22,260	+ 215 + 4,782
Silver coin in issue dept.	7	+ 3 + 505
Coin and gold bullion	1,886	+ 2 + 274
RESERVES		
Res. of notes and coin in banking department	52,173	+ 293 + 17,068
" Proportion " (reserve to outside liabilities in banking dept.)	27.7%	+ 1.1% + 8.4%

COMPARATIVE ANALYSIS

	(£ millions)			
	1940	1941		
	May 22	May 7	May 14	May 21
<i>Issue Dept. :</i>				
Notes in circulation	546.5	626.0	629.4	629.7
Notes in banking department	33.7	54.3	50.8	50.5
Government debt and securities * . .	576.2	677.2	677.2	677.2
Other securities . .	3.3	2.8	2.8	2.7
Silver coin	0.5	0.0	0.0	0.0
Gold, valued at s. per fine oz.	0.2	0.2	0.2	0.2
	168.00	168.00	168.00	168.00
<i>Deposits :</i>				
Public	32.8	12.2	14.4	39.9
Bankers'	103.1	113.6	115.5	91.6
Others	46.1	54.0	52.1	58.7
Total	182.0	179.8	182.0	188.2
<i>Banking Dept. Secs. :</i>				
Government	137.9	102.5	115.3	121.6
Discounts, etc. . .	2.0	19.4	19.8	19.6
Other	23.7	19.8	19.8	12.0
Total	164.6	141.7	147.3	153.8
Banking dept. res. .	35.1	55.9	52.5	52.2
%	%	%	%	%
" Proportion " . . .	19.3	31.0	28.8	37.7

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Finland appeared in "The Economist" of Dec. 9th, 1939; Norway, of Apr. 13th, 1940, Denmark, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Switzerland, of June 15th; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Mellie Iran, of Nov. 23rd; Lithuania, of Nov. 30th; Reichsbank, International Settlements, of Feb. 15th; Roumania, of Feb. 22nd; Portugal, of Mar. 8th; Greece, of Mar. 22nd; Yugoslavia, of Apr. 26th; U.S. Federal Reserve Member Banks and Turkey, of May 3rd; Egypt, Japan, New Zealand and Sweden, of May 10th; Hungary, Czechoslovakia and Bulgaria, of May 17th.

AUSTRALIAN COMMONWEALTH BANK.—Million £A's

ASSETS	1940	1941	1941	1941
Gold and English ster.	16.08	17.71	17.71	17.71
Other coin, bullion, etc.	6.63	6.43	6.46	5.36
Call money, London	41.60	63.82	60.69	55.57
Secs. and Treas. bills	85.70	88.43	88.38	82.59
Discounts and advances	35.54	22.81	22.21	22.96
LIABILITIES				
Notes issued	54.03	62.62	62.87	63.12
Deposits, etc.	112.31	124.24	120.48	119.06

SOUTH AFRICAN RESERVE BANK
Million £'s

ASSETS	Apr. 26, 1940	Apr. 4, 1941	Apr. 10, 1941	Apr. 18, 1941
Gold coin and bullion	33.82	48.43	48.98	49.35
Bills discounted	8.41	0.46	0.49	0.68
Invest. & other assets	22.41	38.19	38.00	38.24
LIABILITIES				
Notes in circulation	18.92	23.89	22.93	22.16
Deposits: Government	9.54	5.02	4.57	5.81
Bankers'	27.52	48.16	49.20	50.46
Others	4.81	5.07	3.87	2.20
Reserve Ratio	55.4%	58.7%	58.5%	58.7%

RESERVE BANK OF INDIA

Million Rupees

ASSETS	May 1940	April 1941	May 1941	May 1941
Gold coin and bullion	444	444	444	444
Rupee coin	507	355	363	365
Balances abroad	217	294	351	308
Sterling securities	1,185	1,088	1,088	1,138
Indian Gov. rupee secs.	395	913	913	913
Investments	84	78	79	78
LIABILITIES				
Notes in circula. India	2,308	2,507	2,516	2,563
Burma	135	180	181	182
Deposits: Govts.	119	132	131	113
Bankers	181	208	207	255
Reserve Ratio	64.4%	54.7%	54.6%	55.5%

CENTRAL BANK OF ARGENTINA
Million paper pesos

ASSETS	Apr. 15, 1940	Jan. 21, 1941	Feb. 15, 1941	Apr. 15, 1941
Gold at home	1,224	1,071	1,071	1,071
Other gold & for. exch.	176	271	271	208
Non-int. Govt. bonds	119	119	119	119
Treasury bonds	300	300	300	300
LIABILITIES				
Notes in circulation	1,179	1,213	1,215	1,238
Deposits: Government	127	147	163	113
Bankers	457	490	470	507
Certs. of participation	153	63	67	82
Reserve ratio	79.4%	72.2%	72.3%	73.25%

BANK OF CANADA.—Million Can \$.

ASSETS	Apr. 17, 1940	Apr. 2, 1941	Apr. 9, 1941	Apr. 16, 1941
Gold	225.8	227.4	227.4	227.4
Other	227.4	82.84	102.82	105.02
† Reserve: Gold	225.8	227.4	227.4	227.4
Other	227.4	82.84	102.82	105.02
† Securities	204.8	523.61	617.02	507.97
LIABILITIES				
Note circulation	221.5	367.08	372.84	375.73
Deposits: Dom. Govt.	42.4	25.05	12.28	8.98
Chartered banks	201.7	219.21	228.84	217.87
† Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.				

MONEY MARKET

EXCHANGE RATES

The following rates fixed by the Bank of England remained unchanged between May 16th and 22nd. (Figures in brackets are par of exchange.)

United States. \$ (4-86) 4-02½-03½; mail transfers 4-02½-03½. Canada \$ (4-86) 4-43-47; mail transfers 4-43-47. Switzerland. Francs (25-22) 17-30-40. Sweden. Krona (18-159) 16-85-95. Argentina. Peso (11-45) 16-95½-17-13; mail transfers 16-95½-17-15. Dutch East Indies. Florin (12-11) 7-58-62; mail transfers 7-58-64. Dutch West Indies. Florin 7-58-62; mail transfers 7-58-64. Portugal. Escudos (110) 99-80-100-20. Panama. \$ (4-02-04) mail transfers 4-02-04½. Manila. Peso 8-00-12; mail transfers 8-00-13.

Rates Fixed for Payment at Bank of England for Clearing Offices

Spain. Peseta (25-22) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey. Lira (1-10) 5-20. Italy. Lira 71-25 lire.

Market Rates

The following rates remained unchanged between May 16th and 22nd. Greece. Drachma (375) 515 (Nominal). Finland. Mark (193-23) 180-210. Egypt. Piastres (97½) 97½. India. Rupee (18d. per rupee) 17½-18½. Hongkong. 14½-15½d. per s. Japan. Yen (24-58d. per yen) 13½-14½. Singapore. \$ (28d. per s) 28½-29½. Colombia. Peso 6 (nominal). Belgian Congo. Francs 170½-1. Shanghai. 3½-3½d. per s.

SPECIAL ACCOUNTS are in force for the following countries and no rate of exchange is accordingly quoted in London: Brazil, Chile, Uruguay and Peru.

Forward Rates

Forward rates for one month have remained unchanged as follows:—United States ½ cent pm.-par. Canada. ½ cent pm.-par. 3 cents pm.-par. Sweden. 3 ore pm.-par. Dutch East Indies. 1½ cents pm.-par.

MONEY RATES, LONDON

The following rates remained unchanged between May 16th and 22nd:—Bank rate, 2% (changed from 3% October 26th, 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, ½-1½%. Short loans, 1-1½%. Bank deposit rates, ½%. Discount deposit at call, ½%; at notice, ½%.

(Continued from page 694)

indeed; no profit at all is being released from the marine account:—

Premiums	Rise or Fall	Under-writing Profits	Rise or Fall
Fire	732,755 + 48,075	14,665 — 31,324	
Accident	510,930 — 57,428	16,520 — 7,247	
Marine	255,794 + 133,947	...	7,500

1,499,479 + 124,594 31,185 — 46,071

Aggregate credits to profit and loss, including net interest of £54,588, come to £85,806. Foreign and colonial income tax—not debited to underwriting, as is the customary practice—takes £19,143 and British income tax and N.D.C. £14,375. There is an item £666 for bad and doubtful debts. After allocating £20,000

to staff pensions and setting aside £58,125 for the dividend at the same rate as last year the balance to be carried forward is lower by £26,503 at £115,275. Stock exchange securities in the life balance sheet are taken at prices at the last valuation on December 31st, 1936, and in the case of investments made since that date, at or under cost, a depreciation being shown of about 3½ per cent; in the general balance sheet stock exchange securities stand at less than market values. There is a general reserve of £650,000 and additional reserves in the fire and accident accounts aggregate £750,000.

Provincial Insurance.—The main theme of insurance accounts this year has been substantially reduced fire profits, lower accident premiums and greatly enhanced

marine premiums; all these features are faithfully reproduced in the Provincial figures—embracing those of its subsidiaries, the Drapers and General and Hull Underwriters' Association—a summary of which is given below:—

Premiums	Rise or Fall	Under-writing Profits	Rise or Fall
Fire	231,357 + 246	10,765 — 26,041	
Accident	969,333 — 144,157	73,515 — 41	
Marine	335,173 + 118,739	...	36,000
	1,535,863 — 25,172	84,280 + 3,918	

Credit transfers to profit and loss, including net interest of £48,079, total £132,367. After providing £44,192 for taxation and various expense accounts, (Continued on page 713)

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	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
£													
Breweries, &c.													
Buchanan Dewar	Mar. 31	771,466	...	771,466	894,534	177,543	595,750	28½	...	1,827	1,011,698	1,011,698	32
Chesters Brewery	Mar. 31	102,852	...	97,310	167,368	13,049	58,981	21	22,000	3,280	109,988	107,487	24
Rowell (John) and Son	Mar. 31	52,290	...	15,987	45,169	2,500	13,500	12½	...	13	51,635	22,519	13½
Financial, Land, &c.													
Grand Junction Co.	Mar. 31	67,106	...	21,701	37,437	5,622	14,000	2	...	1,179	71,835	30,209	3
Mid-European Corp.	Mar. 31	90,019	...	24,472	133,995	17,142	7,125	13	...	205	112,452	40,810	3
Power Investment	Mar. 31	44,399	...	23,555	62,273	26,819	...	...	...	3,264	54,603	30,816	Nil
River Plate Trust, &c.	Mar. 31	311,184	...	190,110	300,836	75,000	110,000	(6)	...	5,110	315,892	187,140	(6)
Rubber & Tropical Trust	Dec. 31	7,129	...	3,689	7,076	...	3,062	...	...	627	6,509	4,020	6
Scott. Agricultural Secs.	Mar. 31	36,545	...	512	3,720	...	...	...	870	358	35,193	1,313	Nil
Sisal Estates	June 30	43,221	...	13,376	Dr. 13,376	...	...	...	...	13,376	Dr. 3,377	Dr. 31,168	Nil
Coal, Iron and Steel													
Pease & Partners	Mar. 31	617,446	70,000	298,976	597,183	62,560	174,189	10	60,000	1,987	605,774	331,976	10
Pressed Steel Co.	Dec. 31	513,417	...	162,827	405,129	16,905	120,148	17½	...	25,774	653,427	228,440	27½
Yorkshire Amal. Collieries	Mar. 31	163,521	...	139,352	258,584	7,500	101,335	6½	25,000	5,517	258,897	221,238	7½
Rubber													
Harpden (Selangor)	Dec. 31	38,816	...	6,098	9,025	2,109	3,750	21	...	248	14,527	4,413	Nil
Hongkong (Selangor)	Dec. 31	34,413	...	23,399	31,348	...	22,500	50	...	899	27,877	19,830	40
Java Plantations	Dec. 31	19,066	...	5,658	6,773	...	4,373	61	1,500	215	12,294	6,673	7-29
Muar River	Dec. 31	23,318	...	5,057	8,455	...	4,830	32	...	227	12,971	5,548	3½
Panagula	Dec. 31	11,143	...	4,843	7,253	...	5,000	5	...	157	4,040	2,909	3
Sempah	Nov. 30	23,549	...	7,247	9,042	...	6,662	10-416	...	585	13,187	6,061	9½
Shipping													
Cairn Line	Dec. 31	69,120	...	18,235	21,716	...	12,000	4	...	6,235	44,947	31,679	Nil
Textiles													
Bright (John) & Brothers	Mar. 31	110,729	20,000	31,300	56,093	20,625	18,050	21	...	7,375	108,842	15,063	Nil
British Cotton and Wool	Mar. 31	122,453	45,292	45,902	107,059	...	38,708	5	13,235	6,041	149,823	63,591	63
Trusts													
Alliance Investment	Apr. 15	36,238	...	24,398	57,116	14,119	6,575	4	4,000	296	42,484	29,935	4½
First Conversion	Apr. 15	53,184	...	30,086	40,396	...	22,874	4	...	7,212	55,440	35,615	5
Home & Foreign Invest.	Mar. 31	69,948	...	23,695	54,101	11,812	6,150	4	5,000	733	75,548	28,519	4½
Industrial and General	Mar. 31	475,829	...	216,478	325,597	42,410	115,792	12	30,000	28,276	493,520	255,001	12
Lake View Investment	Mar. 31	85,008	...	49,198	111,687	8,188	29,900	9	...	11,110	96,159	56,118	9
London Trust	Mar. 31	84,221	...	52,301	114,162	8,188	29,900	14	...	232	98,887	64,149	14
St. Andrew Trust	Mar. 31	56,996	...	16,293	56,093	12,000	2,343	1½	...	8,491	76,346	53,506	5
Sphere Investment	Apr. 15	62,665	...	41,911	100,809	18,450	15,000	5	...	4,072	72,632	28,829	3
Third Scottish National	Mar. 31	65,779	...	19,137	46,470	11,953	3,112	2	...	...	21,962	15,962	10½
Other Companies													
Alex. Ferguson & Co.	Dec. 31	17,109	6,000	11,109	27,357	2,012	9,800	14½	...	703	21,962	15,962	10½
Anglo-American Asphalt	Dec. 31	43,705	1,343	19,311	47,323	...	6,750	10	14,685	2,124	56,006	31,474	22½
Brit. Tobacco (Australia)	Oct. 31	996,440	...	965,937	1,008,498	101,401	862,945	10	...	1,591	936,718	910,814	19
Derbyshire Stone	Dec. 31	53,053	...	41,227	72,291	11,715	21,300	10	...	8,212	58,119	33,934	7½
Imperial Chem. Industries	Dec. 31	6,418,533	...	6,238,441	6,919,869	1,666,104	4,032,149	8	339,262	200,992	7,313,485	7,133,436	8
Kinross Limited	Dec. 31	61,809	...	10,857	36,525	...	10,000	24	...	837	81,081	38,008	7
Marconi Inter. Marine	Dec. 31	533,114	69,750	36,525	107,912	...	89,454	7½	...	7,071	483,022	200,163	7
Ranwiling Co.	Dec. 31	72,726	...	62,097	87,249	12,750	50,000	4	5,325	4,082	78,501	62,060	40
Scammell Lorries	Dec. 31	206,208	1,250	7,420	24,661	...	89,750	(c)	30,000	2,580	106,858	27,034	10
Schweppe's Limited	Dec. 31	291,653	...	133,856	190,060	15,000	30,000	15	...	914	306,242	136,021	(c)
Travers (Joseph) & Sons	Jan. 25	53,856	4,604	36,026	71,455	6,250	...	...	...	224	93,227	72,484	15
Totals (£'000's):													
Week to May 24, 1941	42	13,016	234	10,007	12,632	2,376	6,746	...	561	324	14,428	11,462	...
Jan. 1 to May 24, 1941	697	148,794	9,604	78,440	119,241	16,053	52,001	...	7,242	3,139	142,912	86,168	...

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS

000'S OMITTED

APRIL, 1911		Barclays Bank Ltd. 29th.	Comfils & Co. 28th.	District Bank Ltd. 23rd.	Glyn, Mills & Co. 29th.	Lloyds Bank Ltd. 22nd.	Martins Bank Ltd. 30th.	Midland Bank Ltd. 30th.	National Bank Ltd. 25th.	National Provincial Bank Ltd. 25th.	Westminster Bank Ltd. 24th.	Williams Deacon Bank Ltd. 28th.	Aggregate
Date:		£	£	£	£	£	£	£	£	£	£	£	£
ASSETS													
Coin, Bank Notes and Balances with the Bank of England.....		56,480	3,074	11,316	4,719	54,225	14,106	61,133	3,523	41,330	42,879	5,544	298,359
Balances with and Cheques in course of collection on other Banks in Great Britain and Ireland		20,090	702	3,977	1,605	15,290	3,278	22,773	204	14,870	14,216	3,627	100,812
Items in Transit		19,622	4,621	6,242	6,321	21,758	5,615	20,675	4,179	17,110	24,417	6,857	137,327
Money at Call and Short Notice		29,287	1,638	5,124	680	30,334	5,530	48,500	1,167	30,856	33,161	1,207	187,784
Bills Discounted		97,500	1,500	16,500	7,000	87,000	19,500	101,500	500	55,000	60,500	8,500	401,000
Treasury Deposit Receipts		145,237	10,892	39,671	17,125	136,615	44,545	106,062	15,017	112,108	116,566	15,851	819,080
Investments		189,404	8,595	27,236	8,710	150,239	38,408	187,672	16,017	121,249	124,507	11,651	883,748
Advances to Customers and other A/c's.....													
Liabilities of Customers for Acceptances, Endorsements, etc.		13,549	858	3,080	4,003	18,777	9,424	13,534	274	10,284	29,135	1,061	104,882
Bank Premises Account		7,950	412	1,533	740	7,327	2,850	9,617	550	7,232	5,270	993	44,483
Investments in Affiliated Banks and Subsidiary Companies		6,270	—	—	—	3,775	—	8,200	—	2,514	2,902	—	23,760
		585,698	32,382	114,709	50,903	534,561	117,149	639,666	41,530	412,553	450,703	56,194	3,075,048
Ratio of Cash to Current, Deposit and other Accounts													
		10.36	10.41	10.74	10.40	11.07	10.86	10.21	9.47	10.75	10.41	10.77	10.55
LIABILITIES													
Capital Paid up		15,858	1,000	2,977	1,060	15,810	4,160	15,159	1,500	9,479	9,320	1,875	78,198
Reserve Fund		11,250	1,000	2,976	850	10,000	3,600	12,410	1,160	8,500	9,320	900	61,066
Current, Deposit and other Accounts.....		545,041	29,524	105,676	44,900	489,963	129,943	598,563	37,218	384,200	411,012	51,155	2,828,575
Acceptances, Endorsements, etc.		13,549	858	3,080	4,003	18,777	9,424	13,534	274	10,284	29,135	1,061	104,882
Notes in Circulation		—	—	—	—	11	—	—	1,378	—	16	—	1,427
		585,698	32,382	114,709	50,903	534,561	117,149	639,666	41,530	412,553	450,703	56,194	3,075,048

UNITED KINGDOM: MONTHLY STATISTICS

Population mid 1938, 47,485,000. Area: 95,030 sq. miles. (244,000 sq. kms.)	Unit of Measurement	Monthly Average						1940					1941				
		1929	1932	1937	1938	1939	1940	Mar.	Apr.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
		1. Cotton delivered to mills, G.B.	5-27	4-47	5-43	4-18	5-18	5-76	6-49	6-72	4-88	5-04	4-42	4-31	4-68	4-58	2-48
2. Retail trade, Gt. Brit., & Food		...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
3. " " Other merchandise		...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
4. " " Total		1,212	2,750	1,413	1,791	1,514	963	1,121	973	830	835	791	705	696	581	458	411
5. Registered unemployed G.B.	Thousands	1,276	2,813	1,586	1,881	1,690	1,035	1,193	...	903	941	863	775	765	643	505	...
6. " United Kingdom (a)		118	306	171	226	239	214	239	210	230	206	158	127	122	92	70	65
7. "																	

(Continued from page 710)

£3,000 for war charities and £31,625 for dividends—at the same rate as before—the balance carried forward is higher by £53,550 at £77,333. The market value of investments is certified to be in excess of balance sheet figures, and in addition to the balance of profit and loss account there is a general reserve of £600,000.

family allowance principle, increasing with each dependent child. Another practice which merits imitation has been the provision, for members of the staff and their families working in the bombed areas, of hostel accommodation in the Lake District, where they may enjoy a week's rest and quiet free from stress and strain.

EAST DAGGAFONTEIN MINES, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised £2,000,000. Issued £1,865,000 in 3,730,000 Shares of 10s. each, fully paid.

The 130,000 shares subscribed for by Rietfontein (No. 11) Gold Mines, Limited, as detailed in the last Annual Report, increased the issued capital of the Company to £1,865,000 as above.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1940.

Tons Milled.....827,000.	Yield (per ton 5.21 dwts.).....215,360 ozs.		
Revenue (per ton milled 43/10.7)	£1,815,033	Government Taxes	£97,754
Working Costs (per ton milled 27/8.4)	1,145,608	Reserve for Liability under Miners' Phthisis Act	192
Working Profit (per ton milled 16/2.3)	£669,425	New Share Issue Expenses	414
Expenditure, less Sundry Revenue	314	Dividend No. 1—7½%	139,875
	£669,081	Dividend No. 2—15%	279,750
Add—		Directors' Special Remuneration	8,750
Balance to credit of Appropriation Account at 31st December, 1939	61,373	Appropriated for Capital Expenditure	86,725
	£730,454	Balance unappropriated at 31st December, 1940	116,994
			£730,454

No amount was payable to the Government under the Mineral Lease due to the offset of excess taxation. Capital Expenditure during 1940 amounted to £81,416 and, in addition, £133,420 was charged to various Capital Accounts in respect of part of the purchase consideration for assets acquired from Rietfontein (No. 11) Gold Mines, Ltd.

ORE RESERVE.—The Ore Reserve was recalculated at the end of 1940, and disclosed the following:—

	1940	1939
Tons	2,852,000	2,501,000
Slope Width (inches)	36.39	36.51
Slope Value (dwts.)	6.08	6.24
Inch-dwts.	221	228

Included in this is a total of 613,000 tons of ore developed on the Kimberley Reef Series at 7.31 dwts. over 36.96 inches.

DEVELOPMENT.—The development accomplished during the year was:—

	Feet	Percentage Payable	Average Reef Width (ins.)	Average Assay Value (dwts.)	Inch-dwts.
Main Reef Leader	36,515	46.6	10.31	26.66	275
Kimberley Reef	16,698	42.0	12.38	25.04	310

In addition to the above figures, 245 feet on the Main Reef Leader horizon and 5,349 feet on the Kimberley Reef horizon were developed in Daggafontein Mines ground.

GENERAL.—The purchase of the property and assets of Rietfontein (No. 11) Gold Mines, Limited, was completed during the year. The expenditure on Capital Account contemplated for the current year is estimated at £100,000, the greater portion of which will be in connection with an additional hoist at No. 1 Shaft and the reduction plant extension. It was anticipated that this extension to increase the nominal capacity of the reduction plant to 80,000 tons per month would be completed during the year under review, but conditions overseas have considerably delayed deliveries of import orders, thus temporarily curtailing the monthly milling tonnage.

THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED FROM THE LONDON SECRETARIES OF THE COMPANIES, ANGLO AMERICAN CORPORATION OF SOUTH AFRICA, LTD., 11, OLD JEWRY, LONDON, E.C.2.

THE SOUTH AFRICAN LAND & EXPLORATION COMPANY, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised £500,000. Issued £433,125 in 2,475,000 Shares of 3s. 6d. each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1940.

Tons Milled.....4,213,500.	Yield (per ton 5.50 dwts.).....360,935 ozs.		
Revenue (per ton milled 46/2.6)	£3,035,224	Government Taxes	£795,879
Working Costs (per ton milled 20/7.8)	1,356,036	Government Participation in Profits (1939)	30
Working Profit (per ton milled 25/6.8)	1,679,188	Dividend No. 4—100%	433,125
Sundry Revenue, less Expenditure	5,283	Dividend No. 5—100%	433,125
Total Profit	£1,684,471	Directors' Special Remuneration	7,500
Add—		Appropriated for Capital Expenditure	6,167
Balance to credit of Appropriation Account at 31st December, 1939	77,849	Balance unappropriated at 31st December, 1940	86,494
	£1,762,320		£1,762,320

Owing to the excess taxation under the set-off clauses in the Lease only £30 was payable to the Government as participation in profits for 1939. It is estimated that nothing will be payable for 1940.

ORE RESERVE.—The Ore Reserve was recalculated at the end of the year and disclosed the following:—

	1940	1939
Tons	4,061,300	3,187,280
Slope width (inches)	43.60	43.24
Slope value (dwts.)	6.00	6.06
Inch-dwts.	262	262

DEVELOPMENT.—The footage of 56,999 feet accomplished during the year was 6,827 feet more than that for 1939. The percentage payable was 48.9, average reef width 31.94 inches, average assay value 10.34 dwts., inch-dwts. 361.

GENERAL.—During the year work was started on certain minor additions to the reduction plant, which when completed will enable the mill to deal with 120,000 tons per month.

THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED FROM THE LONDON SECRETARIES OF THE COMPANIES, ANGLO AMERICAN CORPORATION OF SOUTH AFRICA, LTD., 11, OLD JEWRY, LONDON, E.C.2.

DAGGAFONTEIN MINES, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised £2,000,000. Issued £1,750,000 in 7,000,000 Shares of 5s. each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1940.

Tons Milled.....1,911,000.	Yield (per ton 5.72 dwts.).....546,080 ozs.		
Revenue (per ton milled 48/0.8)	£4,592,959	Government Taxes	£1,067,871
Working Costs (per ton milled 20/10.9)	1,991,143	Government Participation in Profits	475,475
Working Profit (per ton milled 27/2.8)	2,601,816	Reserve for Liability under Miners' Phthisis Act	2,915
Sundry Revenue, less Expenditure	68,315	Dividend No. 15—30%	525,000
Total Profit	2,670,131	Dividend No. 16—30%	525,000
Add—		Directors' Special Remuneration	7,569
Balance to credit of Appropriation Account at 31st December, 1939	79,067	Appropriated for Capital Expenditure	56,710
	£2,749,198	Balance unappropriated at 31st December, 1940	88,658
			£2,749,198

ORE RESERVE.—The Ore Reserve was recalculated at the end of 1940, and disclosed the following:—

	1940	1939
Tons	8,771,000	8,135,000
Slope Width (inches)	40.47	40.63
Slope Value (dwts.)	6.25	6.40
Inch-dwts.	253	260

The Reserve includes ore developed on the Kimberley Reef Series, which totalled 384,000 tons averaging 5.44 dwts. over a width of 47.58 inches.

DEVELOPMENT.—The development accomplished during the year was as follows:—

	Footage	Percentage Payable	Average Assay Value (dwts.)	Average Reef Width (ins.)	Inch-dwts.
Main Reef Leader	50,263	58.6	19.11	18.11	346
Kimberley Reef	11,011	35.2	8.41	37.19	313

Included in the above are 5,349 feet on the Kimberley horizon and 245 feet on the Main Reef Leader horizon, driven by East Daggafontein Mines in Daggafontein Mines' ground.

GENERAL.—The Company's holding in East Daggafontein Mines, Limited, remains unchanged at 449,892 Shares.

THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED FROM THE LONDON SECRETARIES OF THE COMPANIES, ANGLO AMERICAN CORPORATION OF SOUTH AFRICA, LTD., 11, OLD JEWRY, LONDON, E.C.2.

WESTERN REEFS EXPLORATION & DEVELOPMENT COMPANY, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised £1,500,000. Issued £1,000,000 in 4,000,000 Shares of 5s. each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1940.

DEVELOPMENT.—During the year the footage accomplished was 52,555 feet, and it will thus be noted that satisfactory progress was made with the development of the property.

Connection between the shafts on the 23rd Level was effected in April, resulting in improved ventilation conditions. The work done on this level from No. 2 Shaft was in lava, but two boreholes sunk from the level disclosed payable reefs. No. 1 Borehole, situated approximately 1,000 feet from the shaft was in lava to a depth of 824 feet, and at 876 feet intersected a reef assaying 10.95 dwts. over 20 inches. No. 2 Borehole was put down at approximately 2,000 feet from the shaft and was in lava to a depth of 799 feet, when it entered into a zone of reefs and quartzites. Among the reefs intersected were the following:—

At 799 feet	3.3 dwts. over 79 inches.
At 850 feet	3.0 dwts. over 68 inches.
At 907 feet	5.7 dwts. over 24 inches.

With a view to following up these indications and their probable extensions, preparations were made at both shafts. At No. 1 Shaft a haulage was advanced from 26 Level. At No. 2 Shaft an incline haulage was commenced from 23 Level. In addition, a station was cut in this shaft at a depth of 3,243 feet, and, when this was completed, cross-cutting towards the above-mentioned boreholes was commenced.

On 40 Level, No. 2 Shaft, the haulage being driven towards borehole No. 5 was advanced a distance of 2,017 feet in quartzite. Diamond drilling from this haulage, at a point approximately 800 feet from the shaft, located a reef at the lava contact, 734 feet in the hanging; this reef assayed 2.25 dwts. over 95 inches.

On various levels at No. 1 Shaft reef development has been proceeding actively throughout the year with very satisfactory results. The total footage developed on reef was 24,940 feet disclosing exposures of individual reefs of 27,950 feet, and sampling showed a payable of 52.4 per cent. and a value of 410 inch-dwts.

ORE RESERVE.—The Ore Reserve was recalculated at the end of the year, ore of 3.0 dwts. and over being included. The new Reserve as compared with that at 31st March, 1940, to which reference was made in the Chairman's speech at the Seventh Ordinary General Meeting, is as follows:—

	Tons.	Slope Width, Inches.	Slope Value, Dwts.	Inch-Dwts.
At the end of 1940	1,509,000	62.22	5.70	355
At the 31st March, 1940	747,000	69.87	5.37	375

GENERAL.—On the 2nd March, 1940, shareholders were advised that arrangements had been completed with the Anglo American Corporation of South Africa, Limited, to provide funds estimated to be sufficient to bring the Company to production with a nominal capacity of 100,000 tons per month. The Company had availed itself of the loan facilities to the extent of £700,000 at the 31st December, 1940. The erection of the reduction plant has been proceeding satisfactorily, notwithstanding some delay in deliveries of certain plant from overseas.

THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED FROM THE LONDON SECRETARIES OF THE COMPANIES, ANGLO AMERICAN CORPORATION OF SOUTH AFRICA, LTD., 11, OLD JEWRY, LONDON, E.C.2.

BRAKPAN MINES, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised and issued—£1,150,000 in 4,600,000 Shares of 5s. each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1940.

Tons Milled.....1,634,000.		Yield (per ton 4.61 dwts.).....376,819 ozs.	
Revenue (per ton milled 38/10.8)	£3,175,872	Government Taxes	£583,548
Working Costs (per ton milled 22/11.9)	1,877,166	Government Participation in Profits	116,457
Working Profit (per ton milled 15/10.9)	1,298,706	Reserve for Liability under Miners' Phthisis Act ..	3,143
Sundry Revenue, less expenditure	133,473	Dividend No. 56—30%	345,000
		Dividend No. 57—30%	345,000
		Directors' Special Remuneration	7,531
		Capital Expenditure	33,493
		Balance unappropriated at 31st December, 1940 ..	78,764
Total Profit.....	1,432,179		
Add—			
Balance to credit of Appropriation Account at 31st December, 1939	80,757		
	£1,512,936		£1,512,936

ORE RESERVE.—The Ore Reserve was recalculated at the end of 1940, and disclosed the following:—

	1940	1939
Tons	6,980,400	7,024,600
Stope Width (inches)	45.95	45.24
Stope Value (dwts.)	5.29	5.41
Inch-dwts.	243	245

In the Witpoort Section the Reserve amounts to 2,221,740 tons having a value of 5.89 dwts. over an estimated stoping width of 41.52 inches. This tonnage is included in the total of 6,980,400 referred to above.

DEVELOPMENT.—The total development accomplished during the year was 59,325 feet, a decrease of 988 feet on that done during 1939. The percentage payable was 33.9, average channel width 42.02 inches, average assay value 8.81 dwts. inch-dwts. 370.

GENERAL.—The Company's holding in the South African Land & Exploration Company Limited remains unchanged at 361,067 shares. THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED FROM THE LONDON SECRETARIES OF THE COMPANIES, ANGLO AMERICAN CORPORATION OF SOUTH AFRICA, LTD., 11, OLD JEWRY, LONDON, E.C.2.

SPRINGS MINES, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised and issued—£1,560,000 in 6,240,000 Shares of 5s. each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1940.

Tons Milled.....1,938,500.		Yield (per ton 5.44 dwts.).....527,187 ozs.	
Revenue (per ton milled 45/10.4)	£4,445,601	Government Taxes	£784,417
Working Costs (per ton milled 21/8)	2,059,894	Government Participation in Profits	740,489
Working Profit (per ton milled 24/7.4)	2,385,707	Reserve for Liability under Miners' Phthisis Act ..	11,141
Sundry Revenue, less Expenditure	8,510	Dividend No. 42—26½%	409,500
		Dividend No. 43—25%	390,000
		Directors' Special Remuneration	7,500
		Capital Expenditure	36,733
		Balance unappropriated at 31st December, 1940 ..	92,704
Total Profit.....	2,394,217		
Add—			
Balance to credit of Appropriation Account at 31st December, 1939	78,267		
	£2,472,484		£2,472,484

ORE RESERVE.—The Ore Reserve was recalculated at the end of 1940, and disclosed the following:—

	1940	1939
Tons	7,124,200	8,328,500
Stope Width (inches)	43.41	43.40
Stope Value (dwts.)	5.07	5.22
Inch-dwts.	220	227

DEVELOPMENT.—The footage accomplished for this year on the horizon of the Main Reef Leader totalled 27,802 feet, an increase of 4,622 feet compared with the previous year. The percentage payable was 34.0, average reef width 27.81 inches, average assay value 11.82 dwts. inch-dwts. 329. Exploratory work was continued on the Kimberley Reef Series without disclosing any payable values. Development in the Southern portion of the mine continued mainly in country rock on account of steeply dipping strata and the occurrence of further faulting.

GENERAL.—The sinking of the Joint Ventilation Shaft should be completed by the middle of 1941, but owing to prevailing conditions it is impossible to state when the fan will be put into commission.

THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED FROM THE LONDON SECRETARIES OF THE COMPANIES, ANGLO AMERICAN CORPORATION OF SOUTH AFRICA, LTD., 11, OLD JEWRY, LONDON, E.C.2.

WEST SPRINGS LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised and issued—£1,935,000 in Shares of £1 each, fully paid.

EXTRACT FROM ANNUAL REPORT TO 31st DECEMBER, 1940.

Tons Milled.....1,111,500.		Yield (per ton 4.31 dwts.).....239,712 ozs.	
Revenue (per ton milled 36/3.6)	£2,017,466	Government Taxes	£135,914
Working Profit (per ton milled 21/10.2)	1,214,464	Government Participation in Profits	369,472
Working Profit (per ton milled 14/5.4)	803,002	Reserve for Liability under Miners' Phthisis Act ..	3,267
Sundry Revenue, less Expenditure	2,634	Dividend No. 30—6½%	133,032
		Dividend No. 31—6½%	133,031
		Directors' Special Remuneration	9,000
		Capital Expenditure	7,515
		Balance unappropriated at 31st December, 1940 ..	82,931
Total Profit.....	£805,636		
Add—			
Balance to credit of Appropriation Account at 31st December, 1939	68,526		
	£874,162		£874,162

ORE RESERVE.—The Ore Reserve was recalculated at the end of 1940, and disclosed the following:—

	1940	1939
Tons	4,180,300	4,522,300
Stope Width (inches)	58.41	54.20
Stope Value (dwts.)	5.14	5.45
Inch-dwts.	300	295

DEVELOPMENT.—The footage of 32,358 feet accomplished during the year was 5,632 feet more than that for 1939. The percentage payable was 46.6, average reef width 26.05 inches, average assay value 15.30 dwts. inch-dwts. 399. Development is now almost entirely confined to No. 2 Shaft Section, and is being advanced as rapidly as possible to the south in order to open up the Vlakfontein area.

THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED FROM THE LONDON SECRETARIES OF THE COMPANIES, ANGLO AMERICAN CORPORATION OF SOUTH AFRICA, LTD., 11, OLD JEWRY, LONDON, E.C.2.

THE ECONOMIST

Vol. CXL

MAY 31, 1941

No. 5101

CONTENTS

LEADING ARTICLES

	PAGE
The Strategy of Prices	717
The New Monroe	718
Work and Workers	719
Money for Health	720

NOTES OF THE WEEK

The Bismarck	721
The Fight for Crete	722
Staying for an Answer	722
Concessions to Coal-miners	722
The Wrong Way	722
No Conscription in Ulster	722
Offensive in Libya	723
The Threat to Syria	723
The Civil Defence Controversy ..	723
The Cost of ARP	723
No Picketing	724
Two Broadcasts	724
Finance Bill—Second Reading ..	724
Caudillo and Falange	725
Mr Menzies and Mr Curtin	725
The Holiday Muddle	725
A Vote of Thanks	726
Workers in Transit	726
Coinage in 1940	726
Shorter Notes	726

THE WORLD OVERSEAS

	PAGE
Canadian Budget Debates	727
Tinplate for Portugal	727
Argentina's Financial Problems ..	728
Egyptian Defence	728
American Economic Trends:	
Rise in Farm Prices	729
New Highs for Industry	729

THE BUSINESS WORLD

	PAGE
Building Societies in Wartime—I	730
The Illusory Cost-of-Living Index	731

FINANCE AND BANKING

	PAGE
Money Market Stringency	732
The Bank Return	732
Privilege Money	733
"Outside" Banks and Treasury	
Deposits	733
The Currency War in China	733
War Workers and Exchange	
Remittances	733
Palestine Currency	733
Bank of France Statutes	733

INSURANCE NOTES

	PAGE
Phoenix Assurance	734
Employers' Assurance	734
Scottish Union and National	734
Sun Insurance	738

INVESTMENT

	PAGE
After the Fair	734
Another Australian Conversion ..	735
A Water Board Offer	735

COMPANY NOTES

	PAGE
J. Lyons Dividend Maintained ..	735
The Viscose Sale	735
Marks and Spencer Accounts	736
Goodlass Wall and Lead Industries	736
Philip Hill Investments	736
Further Gold Mining Results	736
THE STOCK EXCHANGES	737
CAPITAL ISSUES	737
SHORTER COMMENTS	745

INDUSTRY AND TRADE

	PAGE
Ships from America	738
Tanks	738
U.S. Industrial Production	738
Export of Woollen Goods	738
India's External Trade	741
Dinners à la Wootton	741
Tungsten Deposit in America ..	741
COMMODITY AND INDUSTRY NEWS	746

COMPANY MEETINGS

	PAGE
COMPANY MEETINGS	739

CURRENT STATISTICS

	PAGE
CURRENT STATISTICS	742

The Strategy of Prices

THE announcement last week that an increase in the wages of coal-miners was to be followed by a rise in the industrial price of coal came as an unpleasant surprise. It is a characteristic of drunkards and other addicts that they are perpetually on the point of turning over a new leaf; their latest aberration is always their last one. When in public policy, it is even more deplorable. Last April, in the first war Budget of the war, the Chancellor of the Exchequer promised to "go straight." In place of the usual barren balancing of accounts, he produced what appeared to be at least the outline of a rounded plan for war economy; and this rise in coal costs comes into sharp conflict with Sir Kingsley Wood's statement that the key prices of fuel, light, power and transport would be stabilised by subsidy, as well as with the Chancellor's "hope" that wages could then be pegged.

For over eighteen months, the Government had possessed no price policy at all. Many prices were, of course, controlled. The prices of a number of foodstuffs were held down; raw material prices were fixed in various ways; and the machinery of the Prices of Goods Act had been extended piecemeal to restrain certain retail prices. But there was no coherent plan or common purpose in these scattered controls; there was nothing parallel to the attempted "stop" in Nazi Germany on the whole range of prices and wages. Wages were going up generally. There was no attempt to hold down the so-called "strategic" prices—fuel, transport and labour—which enter most influentially into the costs of production and living. The self-generating process, by which increases in costs beget increases in prices and increases in prices beget increases in costs again, was not opposed. By the

terms of the agreement between the railway companies and the Government it was actually encouraged.

It is for these reasons that the details of Sir Kingsley Wood's programme of stabilisation have been eagerly awaited. Already this year there have been test cases. Employers in both engineering and road transport have claimed that it is contrary to public policy to grant repeated increases in wages. Trade unionists and the public, conscious that employers are hardly disinterested parties in these matters, have waited for the Government to speak. It is not, of course, the Government that has now raised wages and prices in the coal industry; but these increases are sufficient evidence of the Government's continued reluctance to carry out the Chancellor's promise.

Coal was specifically mentioned in the Budget promise; and it is no more than a quibble to claim that its price to domestic consumers, continually harassed by the inability of the Government and the industry to store and distribute sufficient supplies of coal, will not be raised. The price of coal enters importantly into all manufacture, of consumption goods as well as of capital goods. Under the present financial regime on the railways, higher coal costs, unless they can be compensated by higher charges, must represent a loss. In the fixing of prices, the coal industry has been well treated for several years. It has had the power from Parliament to dictate its own price to both industrial and domestic consumers. It has not carried out its corresponding duty to remould its methods and organisation; and the rest of British industry and the community have suffered.

But the issue is not merely one of coal. Whether coal-miners' wages should or should not have been raised is not material, though (as a Note on page 722 suggests)

the claim of the coalminer to special treatment is by no means so strong as it was some years ago; and, as an article on page 731 demonstrates, the official index of the cost of living is, in any case, a very poor guide to wage policy in wartime. Whether the coal industry should or should not be capable of carrying the increase in wages, when granted, without raising prices, is immaterial, too. This is a broader question of fundamental economic policy and political good faith. Put shortly, it is the problem of warding off inflation. The point is that it is inefficient and dangerous, industrially and financially, to allow—let alone encourage—prices and costs to chase each other in this unending pursuit. It is socially unfair because, when prices soar and wages follow raggedly after, the devil must needs take the hindmost.

It may be answered, of course (as so often it has been answered before), that even after many months of un-wisdom, there is, in fact, little or no inflation. In his Budget, Sir Kingsley Wood was optimistic about what had happened in 1940-41, and even more optimistic about the capacity of genuine savings to foot the bill in 1941-42. It is true that an examination of price statistics and other pertinent data shows no formidable fall in the value of money so far. But there is no doubt that, to some extent, the war is already being financed perforce by the creation of credit; and when the gigantic task of making ends meet next year is considered, there is no less doubt that the gap will tend to widen as the war effort grows. It is not enough to point belittlingly to the inflation that has happened so far. The inflation to come is the danger. This is the seed-time; the harvest is ahead; and every effort is indispensable to root out the tares before they spread.

It is not simply a question of holding down wages. This is the commonest mistake made in this country, and it converts the examination of a vital economic problem into a class battle. The Chancellor of the Exchequer was right in his Budget speech when he spoke of stabilising key prices. These are the prices which fundamentally affect all other prices, and the price of labour is only one among several. Sir Kingsley Wood was wrong when he distinguished between his promise that the price of fuel, power and transport would be stabilised and his vaguer hope that wages or the price of labour could then be pegged.

To say that all prices except the price of labour should be held down is as fatuous and futile as it is to maintain

(as is so frequently and widely maintained in this country) that all prices except the price of labour should be allowed to "find their own level"—in other words, to "rip." Here discussion is concentrated on wages; in the United States, in the steel industry, prices have been fixed, but not wages; and both these partial approaches are equally useless. It is impossible to stabilise the price structure by pegging mere sections of it; and the need in every country that is faced with the inflationary consequences of wartime scarcity, in the United States no less than in the United Kingdom, is an all-in policy of control over strategic prices.

This coal announcement is only one straw in the wind. Every week there is news about changes in wages or prices which, added up, foretell a gale; and now there will be more. The cost of transport and the cost of production in general will go up with the price of coal. There will also be increased pressure on the cost of living. To believe that, because the domestic price of coal will not be raised, the vicious circle—more expensive living, more wages, higher prices, still more expensive living—will therefore be broken, is to act like an ostrich with one eye in the sand. At bottom, there is no difference at all between this step and all the other *ad hoc* blunderings which have brought the waste and unfairness of inflation so much nearer.

It is time for cards on the table. The hope that Sir Kingsley Wood's Budget plan might represent a change of heart and mind has been dashed. It seems plain enough now that his Labour colleagues will not, or dare not, entertain any scheme which includes the control of wages. Is it also the case that the representatives of industry, too, are unwilling to accept a plain stop to the prices of their products? If these are the political considerations at work to hide the national interest, they are shortsighted to the point of blindness. What have the trade unions to gain from a policy of drift which will undermine the purchasing power of every pay packet by driving up the price level? Or what have the industrial barons to gain from a policy, or lack of policy, which permits all their crucial costs—not only labour—to rise steadily?

In April, the Chancellor announced a plan to stabilise strategic prices. It won wide approval. The man-in-the-street welcomed it as well as the pundits. Now, at least, the nation is entitled to ask whether the policy of stabilisation remains the War Cabinet's intention. This is still a democratic country; and it is at war.

The New Monroe

MR ROOSEVELT'S speech has disappointed none of his vast world-wide audience—unless the emotion being recorded in Berlin can be so described. Neither the frenzy of the isolationists at home nor Nazi Germany's attempts at intimidation have deterred the President from giving the American people a clear and stirring summons to the path that lies before them.

The revolution in American policy is now all but complete. One by one the provisos and the limitations that have clung round the march of America's purpose like a hobble skirt—not changing its direction but limiting its speed—are being discarded. "Neutrality" is still on the statute book; but there was no breath of neutrality in the President's speech. "Cash and Carry"—the cash part has gone already and carry is on its way out: "all additional measures necessary for the delivery of the goods will be taken." "Short of war"—the President's policy is short of nothing: "We will not hesitate to use our armed forces to repel attack . . . We will decide for ourselves whether, when and where our American interests are attacked or our security threatened."

In the place of these remnants of a policy that has been discarded, the President has put two cardinal principles of American action. The first is to recognise that America's security would be endangered if Nazi forces were to effect a lodgment anywhere on a great strategic arc which runs

from Greenland through Iceland, Great Britain, the Azores, Dakar and the Cape Verde Islands to the coast of Brazil. Notice has been served on the world that the United States will not tolerate the presence of Nazis anywhere on this arc and will use its armed forces to keep them out. The second leading principle is that "every possible assistance" will be given to Britain and China, which by their resistance are giving America time to arm and room to manoeuvre.

To ensure the carrying out of these two principles, the President has proclaimed a state of unlimited emergency and has taken over the large powers that the Constitution reserves in such times to the Commander-in-Chief. They will be used to ensure that neither capital nor labour obstructs the "production and transportation of the machinery of defence." Mr. Roosevelt had a word for the "timid ones" who fear that democracy will lose itself if it fights a total war in its own defence. "Our freedom has shown its ability to survive war; but it would never survive surrender." In America as in Britain, democracy will not be endangered by the concentration of power to act in the hands of those who can act quickly. In war, as in peace, a democracy is distinguished from a dictatorship by two things: the right to criticise and the right to depose. If they remain, they will serve as trustees for the re-establishment of all the other liberties that must for the

duration be put into pawn. In America, as in Britain, it is only the blindly partisan, the incorrigibly doctrinaire and the wilfully malicious who cannot see this truth.

The importance of the speech for the course of the present war is too obvious and too welcome to require any comment. But in the light of history its importance as a restatement of America's place in the world is even greater. All through the 1920's and the 1930's it was a fundamental weakness of the comity of nations that by far the strongest Great Power in the world had no foreign policy. Mr. Roosevelt's enlightenment of his fellow-countrymen promises a change. These great strategic truths once perceived, it is inconceivable that the American public should ever drift back into isolationism.

The line of argument is correct; but Englishmen should beware and beware again of how far they carry it. In this emergency, the enemy to be fought and the time and place to fight him are all too obvious to permit of disagreement. But before it can be assumed that the two great English-speaking democracies hold similar views on foreign policy, it must first be asked on what basis the President builds his new policy. He did not conceal the foundations; on the contrary, he was at pains to make them clear. The first is "hard-headed concern for our own self-interest"; the second is that American self-interest is conceived in terms of defence only. The novelty that Mr. Roosevelt introduces into the policy of defence is that it is extended in time and space, in answer to modern methods of warfare. Defence of America must now begin across the oceans, and before the adversary attacks. But it is still defence. The new policy is fundamentally as negative and as restricted as the Monroe doctrine—it is merely mechanised Monroe. Mr. Roosevelt's personal views on foreign policy are probably further advanced than those of his countrymen; but, even so, his references to the world beyond the oceans were hardly positive. There was a statement of the conditions in this further world that the American people will not accept; there were no Wilsonian promises of assistance to build up a better world.

Work and Workers

THE next big step in war economy is to harness fresh labour to war production. But the task of mobilising labour does not end with the enlistment of workers. The men and women already enlisted, especially those with special skills, must be kept fully occupied. It has been a source of anxiety for some considerable time that, from a number of essential industries, including aircraft manufacture, there have come reports that many men are working short time or taking days off from work capriciously.

The conclusion of the Commons' Select Committee on National Expenditure, which has done a service by devoting the time of a sub-committee to a thorough examination of this problem in the aircraft industry, is that lost and wasted time are common. Although some firms are seriously short of workers, there is idle labour in others. In the air-engine branch of the industry there is no surplus; but an official inquiry is now going on into the use of labour in the manufacture of air-frames. Until the Essential Work Order was made, which prevents workers from moving at will and can be applied to any essential undertaking, firms were always liable to lose key men to other firms, for uniformity in pay scales is surprisingly lacking. Finally, thousands of man-hours are lost every week throughout the industry because of absenteeism, which sometimes reaches rates of 10, 12 or even 20 per cent.

It would be intolerable if output were to go on being lost because men are idle or absent. Aircraft manufacture is the best known, and perhaps the most vital, case. But many other essential industries, from coal-mining to the whole range of engineering, are not free from these failings; and it is clearly necessary to track down and

These observations are not, in the slightest degree, set down by way of complaint, but rather in the attempt to induce clear thinking among Englishmen. The air has been full in recent months of apocalyptic visions of Anglo-American co-operation after the war to enforce peace and encourage freedom throughout the world. Perhaps the visions will come true; we must all hope they will. But there is no justification for them in the President's speech. As Lord Lothian remarked to a private gathering shortly before his death, America now clearly sees that it is in her self-interest to prevent Britain's defeat; but it is doubtful whether she will ever conceive it to be in her interest to assist Britain to the domination, however benevolent, of the European continent. There was perhaps a warning to this effect in the President's inclusion, among the things that America would not accept, of "a world like the post-war world of the 1920's." America has had a new vision of her self-interest; but it is still her self-interest. The unmistakable oceanic tinge of the whole speech gives an assurance that Britain will have American support in anything she does to preserve the freedom—that is, the democratic control—of the seas. So far, British policy, based on British self-interest, and American policy, based on American self-interest, will surely march together. But the further British policy, in pursuit of British security, ventures on to the great land masses of the Eurasian Continent, the less sure will it be of American backing.

These are not wholly comforting thoughts; but they are salutary and they may help to prevent the repetition of a historical misunderstanding. The Monroe Doctrine emerged from a situation very similar to the present, and George Canning can be claimed as co-author of it, just as Mr. Churchill and Mr. Roosevelt are to-day the co-authors of the same policy of oceanic collaboration to protect the outer world from European dictators. But America's fundamental purpose, then as now, is to protect herself. Being called in to redress the balance of the Old World was not in 1823, and is not now, a policy which appeals to the New.

There is some inefficiency in management and slackness among some workers. But simply to say that men stand idle because of bad management, or that other workers stay at home because of original sin, is to invite the sort of futile dog-fight that went on in the Commons on the last occasion upon which the Minister of Labour replied to criticisms on these points. The Select Committee's approach is the right one. They seek to show what there is in the working conditions of the aircraft industry to encourage these wastages; and they make plain what steps the Government can take to end them.

Labour is often idle because men are waiting for work to do. Materials may be lacking or plant may be being adjusted. There are bottlenecks in the flow of supplies and components which slow work down. The men must wait, and employers are reluctant to pay off useful workers. Often they hang on to them though there is no quick prospect of work for them. This is understandable, but there is a reasonable limit. Idle time which arises from unbalance in the flow of supplies can only be cured at the sources of supply; and the widening of every bottleneck will put men to work again. But it is unreasonable that firms should retain surplus labour while other firms are short of men. "It is indefensible," too, the Committee urge, "that the Ministry of Aircraft Production should seek to retain in aircraft production a supply of labour over and above the amount that is now fully employed or can be seen to be necessary in the near future." It is astonishing that many firms do not even trouble to keep a record of the men on "waiting time."

The distribution of labour within the aircraft industry, and between industry and industry, is the responsibility

of the Government. If Mr. Bevin believes that men are under-employed or idle in any industry, because of bad management, he has the power to order the remedy. The chief fault seems to be ignorance. It is imperative that, with the co-operation of every firm, the Government should know what is going on, from week to week. It is astonishing that a special inquiry should be necessary to find out the facts about "waiting time" in air-frame manufacture. The conclusion must be that here is yet another case where the chief obstacle to full production is a weakness in intelligence and running control. It is impossible for the Government to allocate the nation's labour to the war effort in order of urgency if it is not known, despite a complicated central and regional organisation, what use each firm and industry is making of its personnel.

The notorious fault is absenteeism; and the Select Committee have no doubt about its causes. In the aircraft industry, the general level of wages—though by no means so high as report makes out—is very high; and there is regular Sunday work at high overtime rates. It is not unnatural that men who are tired, ill or disinclined to work take weekdays off and make up their earnings at the week-end. Slackness is not the main cause. Aircraft works have been going full blast since Dunkirk without respite. Staffs are jaded and inclined to snatch rest periods; and their pay is high enough not to make the financial loss grave.

The remedy is not bell, book and candle against the defaulters—though ways and means must be made for dealing with them. It is a restoration of holidays and rest-periods—and, according to the recommendations of the Select Committee, the discontinuance of Sunday labour except for maintenance and repair. The seven-day week and the 24-hour day were post-Dunkirk devices. Indeed, they are still the right means of bringing output to a peak if the labour force is big enough for every worker

to work no more than a normal week; and there is no reason, in conditions of continuous working, why the premium on Sunday work should be so high. But the labour force is still too small. The burden on those who are at work is heavy; and it is the pressure of its weight which makes workers seek these rests by the wayside.

So the argument comes back to the need for more war workers in every essential industry. Surplus labour within those industries can be found and moved by intelligence and command. Key men can be kept at their jobs by the Essential Work Order; and their temptation to move on can be removed by the strict enforcement of uniform wages—maximum as well as minimum—in parallel factories. There is no reason why the Essential Work Order should not be used as a sanction against absentees.

But the need is still to mobilise the nation. It will not be enough to create the conditions in war work which will enable every man and woman to be busied to the best advantage—though this is imperative. It is necessary also to create the conditions throughout the nation's economic life which will induce men and women in hundreds of thousands to leave tasks that can be spared for work that is vital to the nation's continued existence.

"Although the Ministry of Labour have power to recruit women for factory work, it is their declared policy to persuade rather than compel"; and women in work are not encouraged to come forward. Most of them do not know. "There has been too little publicity advising women exactly what is required of them," the Committee claim. The women still do not know what jobs are open and what they are; and neither the advice of the employment exchanges nor the general advertisements that are now in the Press meet their wants. The war effort is at last being organised; but, neither in war work nor in civilian life, has the war environment for a free and willing people been devised.

Money for Health

SICKNESS benefit under Health Insurance is to be raised from 15s. to 18s. a week; and disablement benefit is also to be increased by 3s. These advances are overdue, but they will not receive an unmixed welcome. For a long time, two things have been apparent about the whole range of social service payments and allowances. There is a wide discrepancy between the payments made for the same purpose under different schemes; and many of the payments are far from matching the minimum sums regarded by experts as necessary to maintain mere health and efficiency. There is no common measure of need for the allowances given to men in the services, civil defence workers, the unemployed and workers in training for the maintenance of wife and children. And the outstanding feature about Health Insurance is that, even when measured against the cost of living at poverty level, sickness benefit has fallen well below average minimum needs.

This new increase recognises the special inadequacy of Health Insurance benefits. It does not remove that inadequacy. No provision is made for dependants. While, with unemployment benefit, a disability pension or even aid from a public assistance committee, a man can obtain sufficient to keep his family from the acutest deprivation, under Health Insurance there is no guarantee of that—even now. A man with a wife and two or three young children will get 18s. a week if he is off work because of sickness. The only safeguard against starvation for the families of sick persons is that they can apply to the Assistance Board for relief.

Thus the inadequacy of Health Insurance payments is only thrown into relief by the latest "improvement." But it would be shortsighted simply to single out Health Insurance for its failure, in the case of poor families, to

cover bare human needs. It may be the prime example, but there are others. In Workmen's Compensation, for instance, thirty pieces of silver is the measure of household requirements. In the case of total disablement, when the breadwinner has no working future to look forward to, he is entitled to no more than half his former average weekly earnings, with a maximum of 30s. In the case of partial disablement, when some part-time work may be possible, the payment is one half of the difference between his earnings before the accident and his earnings after, with the same maximum of 30s.

These are small sums in any event—derisory for large families. It may be impossible in the thick of total war to make the radical reforms of Health Insurance and Workmen's Compensation which are patently needed. But it is obviously unsatisfactory to do no more than patch on the old lines, leaving it to public assistance, with its obstinate stigma of charity and the workhouse, to ward off destitution. The real point which emerges from the impossibility of adjusting Health Insurance and Workmen's Compensation to wartime conditions is the failure of the typically British method of giving fixed, uniform, flat-rate benefits. In any reform, two principles would have to be taken into account: the method which is common in other countries of paying a set percentage of a worker's normal earnings as benefit; and the need, over and above this basic benefit, of adjusting payments to the size of the family to be supported.

This is a family problem. Probably the 18s. paid under Health Insurance would just support a single worker. Under Workmen's Compensation, he might be better off. But, in neither case, would the task of maintaining a family be feasible without extra aid. At the moment, an inquiry is being made on behalf of the Treasury—and not

improbably under the inspiration of Mr. Keynes, who is in but not of that august department—into the cost and practicability of a general family allowance scheme of 5s. a week per child. It is certain that, if family allowances were a general complement to the structure of wages, the hardships which befall a family when its breadwinner falls ill or injured, hardships which cannot be cured merely by tinkering with the present system of benefits and compensation, would be notably lightened. It is, in fact, the case for family allowances that, in wartime and peacetime alike, poverty is specially spread among large families by every economic difficulty that comes along.

Even so, this does not exhaust the matter. It is no credit to Health Insurance that its deficiencies, like those of Workmen's Compensation, can be made up by family allowances instead of by resort to public assistance. In principle, the test of the public health services, which are focused for the ordinary citizen by the Health Insurance scheme, is their capacity to ensure the good health of citizens; and it is an aggravation of the plight of the sick worker that there is no provision of any kind for his dependants. They are not entitled to maintenance while he is sick, and they are not insured against sickness themselves.

Moreover, even for the sick man himself, the provision, regarded purely as his own insurance against ill health, is insufficient. His treatment may be expensive, it may involve specialist treatment. There may be long drawn-out trouble with his teeth or eyes. Whether he gets any "additional" benefit over and above his 18s. a week, to cover these costs, depends upon the financial position of the approved society he has chosen out of the thousands of independent bodies which operate Health Insurance; it will, in any case, be small. It may be true that family allowances, more money from benefits and other financial aids might stave off the worst distresses from a sick or injured man and his family. But the aim of Health Insurance should be to make a man well, and the aim of Workmen's Compensation to

make him fit again; and it is in these directions that the target of longer-range reform will be found.

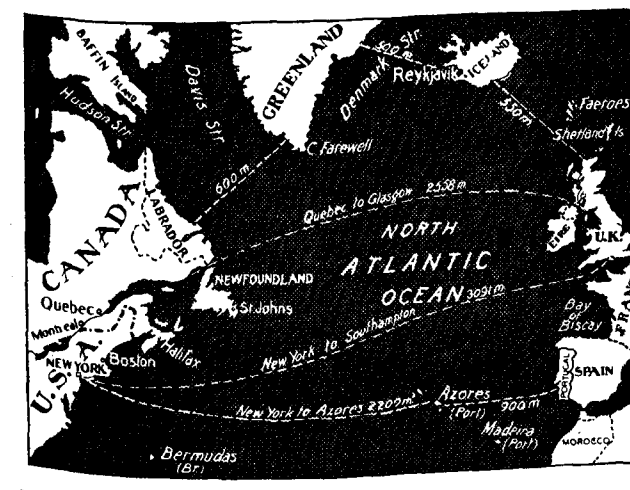
The new changes will be accepted by Parliament. Presumably they have been agreed by the party leaders in the Government; and the inclusion under Health Insurance of non-manual workers earning up to £420 a year, instead of £250 as now, will be generally welcomed. So, too, in itself, will the increase in benefit. But it would be a slur upon the social conscience of the Commons if the occasion passed without strong criticism of the insurance scheme as it stands. It should be made plain—and will probably be made plain by Labour and Liberal back-benchers who support the Government but still speak freely—that any sufficient system of social insurance should ensure two things for every worker who is put out of work by illness, injury or bad trade; first, that he will be restored to health, fitness and employment as soon as possible; and, secondly, that his family shall not want.

The broader changes which will bring into line with these aims the present tripartite medical system, with its specialists and general practitioners dependent on fees, its voluntary hospitals dependent on contributions and its public health services dependent on rates and taxes, may have to await the end of the war. It is probably impossible at this moment to do more than pledge Parliament and the Government to a comprehensive health scheme which will cover everybody by insurance and make specialist and consultative treatment available to all; and to a scheme of compensation which will make the rehabilitation of injured workers its main objective. But there are more immediate aims which are relevant now. It is only by the aid of all the social payments and allowances given to serving men and other unfortunate people that a large section of the population is kept going at all. It could at least be laid down straight away that every dependent wife and child should receive enough to live on as a right; and that the same definition of what is enough to live on, the same measure of needs, should be used whenever payments are made. This is not only logical; it is necessary as well.

NOTES OF THE WEEK

The Bismarck

The sinking of the *Bismarck* after a five-day hunt through the length and breadth of the Atlantic constitutes one of the most memorable and dramatic actions in the long history of the British Navy. The *Bismarck* was first sighted on May 23rd and on the 24th brought to action by HMS *Hood* and HMS *Prince of Wales* in the Den-



mark Strait between Greenland and Iceland. Here disaster befell the British forces, for the *Hood* blew up after a direct hit received on one of the magazines from a range of thirteen miles. The *Prince of Wales* received some damage. The *Bismarck*, also damaged, raced away south-west and although aircraft from HMS *Victorious* were able to

score another hit, the Atlantic fog swallowed the *Bismarck* up in the early morning of May 25th. By this time, the hunt was up. The Home Fleet steamed out from Scotland, HMS *Rodney* and HMS *Ramillies* left convoy work to the North Atlantic to join in the search, from Gibraltar came *Renown* and *Ark Royal* and from the coasts of Newfoundland in the West and of Britain in the East, flying boats scoured the Atlantic. It was not until some thirty hours later that a Catalina aircraft of the Coastal Command, and later, naval aircraft from HMS *Ark Royal* located the *Bismarck*. Then the last phase opened, about 400 miles west of Brest. Torpedoed by naval aircraft, the *Bismarck* lost speed and control of the steering gear. In the very early morning of May 27th, a force of destroyers, led by HMS *Cossack* of *Altmark* fame, crippled the *Bismarck* still further, though the ship's fire was still accurate. Details of the last stages of the action are not yet known, but HMS *Dorsetshire* appears to have given the *coup de grâce* when the *Bismarck* sank at 11 in the morning of May 27th. The most vivid impression created by the terse and magnificent communiqué issued by the Admiralty is that of the "whole apparatus of our ocean control" coming into play. Warships and aircraft converging from every quarter of the ocean, the action passing from destroyer to flying boat to cruiser and back again, the precision of the orders and of the movements of naval units over thousands of miles of grey, fog-ridden ocean—all these are the visible embodiment of that proud phrase "command of the sea." None can have read the Admiralty's communiqué without a stirring of the heart. Behind the dramatic quality of the action lie other more practical matters—the confirmation of the extraordinary value of aircraft carriers already proved at Matapan, the balance of loss as between HMS *Hood* and the *Bismarck*, the effect in Germany—and in America—of the loss within a week of its maiden action of the first of the great battle-ships which were to restore the might of the German Navy.

The Fight for Crete

Against the brilliant success of the Navy's action in sinking the *Bismarck* must be set not only the loss of HMS *Hood* but the losses incurred in the defence of Crete. Two cruisers and four destroyers in a single action are a heavy toll indeed on Britain's naval strength, and although the objective of the action north of Crete—the prevention of a German landing from the sea—was achieved, the lack of fighter support and the narrow waters in which the ships were engaged made them an all too open target for the attacks of German bombers. Meanwhile, the battle of Crete continues and after a week's fierce fighting, the advantage appears to be going to the Germans. Although their first attempts to hold Rethymno and Heraklion were unsuccessful, their seizure of the aerodrome at Maleme provided them with a base to which a constant stream of reinforcements was ferried by troop-carrying aircraft and on which, once the German hold was consolidated, it was possible to land artillery and probably light tanks. From Maleme, the German attack has developed eastwards and the defenders have been forced back to new positions, but at the moment of writing it appears that the Germans have reached Canea but are not yet in control of Suda Bay. Elsewhere fighting continues, either against isolated groups of paratroops or against larger forces landed in the neighbourhood of Rethymno and Heraklion. The British defence was desperately crippled by lack of air support. For a day or two, the troops had to stand up to intensive dive bombing without any air support whatsoever. Now British bombers are again on the scene, bombing Maleme, and some long distance fighters are taking a very heavy toll of the troop planes and dive bombers. But it was in the interval between the withdrawal of the RAF and its reappearance that the German hold on Maleme was consolidated.

Staying for An Answer

It has apparently been realised by the Government that the first requisite in the direction of war production is to know what is actually going on in the factories. The idea now is said to be to make greater use of the area boards in gathering and passing on intelligence; and it is reported that a central advisory body is to be set up to make a running record of news from the factories for the Production Executive. The realisation that, unless progress is promptly known and all delays reported at once, an output programme can be thwarted or distorted beyond recognition, is a long step forward. Every Minister in a production department has a similar need for some kind of swift, impartial, fact and fault finding arrangement. Ministers might then actually be able to base their arguments, their actions and their apologia on facts and not on projects, on achievements and not on plans, on deliveries and not on orders. The greatest danger in any vast organisation is that those at the head tend to live in a world of legend, assiduously sheltered from rude truth. Whether the new means of finding out facts, which will be quite separate from the reports of the supply departments and a check upon them, is difficult to decide. Consultative committees are not usually the best of ferrets. Nor are they noted for blunt speech. The best machinery would probably be a sort of detective agency with Lord Beaverbrook (or the chairman of the Production Executive) as chief sleuth, aided by a very few experts in production and management. At any rate, this is a job, not for a representative body, at the centre or locally, but for "experts and executives."

Concessions to Coal Miners

The imperative need for producing a surplus of coal this summer in order to prevent a shortage next winter, needs no emphasis. As long ago as last March, the Government issued an appeal to the industry to speed up its production. But current output still does not appear to be yielding any surplus that can be put to stock. With its present labour force, the industry is held to be capable of an output of some 4½ million tons per week—but only with the active collaboration of the miners. By applying to coal-mining the Essential Works Order, the exodus of labour has been arrested. And by the introduction of a guaranteed pay week, supplemented by an increase in adult wages of 1s. per shift, payable, however, only for full attendance, the disparity between the earnings of coal miners and

munition workers has been largely removed, especially as miners' wages remain linked to the cost-of-living index. In order to meet the expenditure involved by the guaranteed pay week, the Government has decided to set up a central compensation fund, financed by a levy not exceeding 6d. per ton on all sales of coal, which, on the basis of the total turnover in the first quarter of this year, should yield between £4½ and £4¼ millions per annum. The attendance bonus for adults of 1s. per shift, which means an increase of some eight per cent in earnings, is to be paid by the consumer; the price of coal is to be raised by 10d. per ton, representing an additional £8½ to £9 millions to the annual coal bill. Although not all of their demands have been satisfied—they included a demand for the establishment of a national wages board to replace the local wage-fixing machinery and for a minimum wage of £4 per week—the guaranteed pay week and the attendance bonus represent handsome concessions which should secure the good will and collaboration of the miners in the effort to accumulate a reserve for the winter. The wider implications of the further rise in coal prices are discussed in a leading article on page 717; and consumers of coal are used by now to scanty consideration. But if the miners, in return for the improvement in their position, produce the additional coal required, the concessions may be worth their price.

The Wrong Way

Great Britain depends on imports for her requirements of petroleum products. True, liquid fuel is shipped across the Atlantic in specially designed vessels that cannot, as a general rule, be used for other purposes. But tankers, like other cargo vessels, have to run the Nazi blockade, and losses are inevitable. The replacement of tanker losses in the shipyards must inevitably reduce their capacity to construct other cargo vessels. In fact, the need for economising tankers and the fuel they carry is as urgent as the need for economising other imported commodities; and the growing consumption of petroleum products by the armed forces underlines the need for economy in civilian consumption. Indeed, the time has come for the application of a stringent needs test to all private consumers, and for seriously considering the suspension of the basic ration. Far from injuring the morale of the people, the application of a needs test would remove the misgivings and indignation caused by the sight of hundreds of cars parked near football grounds, dog-racing tracks, and outside shops. The Government has decided to secure economy in consumption by a tighter control over the issue of supplementary rations, and by giving Board of Trade and police officials the right to stop cars on the road, and to ask drivers to produce their coupons. It appears that the Army has instituted a petrolless day, and has taken measures to prevent the use of fuel on unnecessary errands. All these measures are to the good, provided they do not lead to false economy by hampering essential traffic—through an indiscriminate reduction in supplementary allowances to commercial users, for example. But the Government still clings to the principle of a basic ration, to which every owner of a licensed car has a claim, irrespective of the purpose for which the petrol is used. There may be a Treasury interest in keeping cars on the road. But this is to make finance a master instead of a servant; and reasons are mounting for superseding the present wasteful and illogical systems of allocation by a straightforward needs test, rigidly and uniformly applied.

No Conscription in Ulster

The Government's decision not to enforce conscription in Northern Ireland came as a surprise, since all the preliminary indications—especially the visit of members of the Northern Ireland Government to ask for conscription—had prepared the public for the contrary decision. Several newspapers had accepted it as an accomplished fact and Mr de Valera had taken the probability sufficiently seriously to call an emergency meeting of the Dail in protest. But if the decision came as a surprise, there can be no doubt that it is the right decision. Indeed, to have imposed conscription on a population about a third of which would resist it, with greater or less determination, would have been a political blunder. As the Prime Minister said, it would be far more trouble than it is worth, since the numbers involved are not large. Since the decision followed so closely

on the heels of Mr. De Valera's speech in the Dail, it is important to emphasise that the reasons for it have nothing in common with his reasoning. To him "the six counties are part of Eire; they have always been a part of it; all their inhabitants are Irishmen and no Act of Parliament can alter this present and historical fact." In other words, it would be an outrage to impose conscription on any inhabitant of Ireland, however willing he might be to be conscripted. This reasoning (if the description is not too much of a compliment) is quite unacceptable. The majority of the people of Northern Ireland wish to remain subjects of the United Kingdom; and so long as that is their wish, it will be the wish of the British Government. If any Englishmen have had doubts on this score in the past, they have been convinced by Eire's conduct in the past two years. The reluctance to impose conscription on the people of Northern Ireland is not due to any unwillingness to conscribe the Protestant Unionists of Ulster; it is due to the knowledge that these Protestant Unionists are not synonymous with the inhabitants of the Six Counties. Perhaps the Belfast Government will learn from the incident that it would be more completely master in its own house if it were less anxious to keep within the borders of Northern Ireland large numbers of people who would rather be in Eire. It was a mistake nearly two decades ago to leave the boundary where it is now, and it is still a mistake to-day. Putting it right is the only concession that British opinion can conceive of making to Mr. De Valera, who has killed any hope there may have been of ending the "partition" of Ireland.

Offensive in Libya

The Germans have launched a new attack in Libya, and, from its weight, it appears to be the most serious offensive the British forces have yet had to meet. Four mechanised columns are engaged, and the first has already retaken Halfaya Pass, captured from the Germans a week before. Two more are being held to the south of Sollum, while the fourth appears to be advancing cautiously towards Siwa. In spite of the great length and the exposed nature of his lines of communication, the enemy has succeeded in bringing up tanks and heavy mechanised vehicles, and the British defenders have once more—in a painfully familiar way—been driven back by "sheer weight of metal." However, the advance is anything but a blitz attack. The first German column took over twenty-four hours to go from Fort Capuzzo to the head of Halfaya Pass, and the covering columns to the south have been successfully held. Tobruk is unreduced, and it was possible in the week's lull which preceded the German attack to strengthen and consolidate its defences still further, and it is very encouraging that the Germans find its cross-fire disturbing enough to complain in the German Press that the barrage from Tobruk is heavier than that of the Somme. It is a risky business to thrust out into Egypt, leaving Tobruk on the lines of reinforcement and supply. It would also appear risky to launch an attack in force in the fierce and growing heat of an African summer. The Germans have reversed many of the accustomed beliefs in the limits imposed by time and space, but sun and glare and sand and flies may tax even their ingenuity. Taking the two months' frontier fighting as a whole, nothing has happened to reverse Mr Churchill's judgment that General Rommel might well prefer to change places with General Wavell.

The Threat to Syria

Although Rashid Ali is still in control in Baghdad and in Mosul, where German reinforcements have reached him, there are signs that the revolt is petering out. It has failed to take any hold on the people of Iraq; any hope of Arab support from the surrounding countries has proved fruitless; and the amount of aid the Axis Powers can send appears, for the time being, to be strictly limited. Even if it is premature to say that the Rashid Ali *coup* has failed, it can be said that the civilian Ministers involved in it believe that it has, and are discreetly withdrawing from the danger zone. The Ministers of Finance, Foreign Affairs and Communications have arrived in Iran, the Minister of Finance bringing his family with him. Even Rashid Ali appears to have his doubts, since his family is already in Ankara. The situation in the Middle East is, however, very grave, for the Germans are consolidating their hold on Syria, and the

Syrian aerodromes are no longer being used simply for transit. German aircraft, based on Rayak, Aleppo and Palmyra, have launched attacks on the British forces in Iraq, and although the fight for Crete is occupying Germany's main forces, a disaffected Syria thoroughly infiltrated by German agents, merely waits the transference of troops from the present battle zone to become a strong German position from which, if Rashid Ali still held out in Mosul, the capture of Iraq could be launched. Libya is a lesson that in a war with Germany no territory can be thought safe unless it is being well defended all the time. Syria is therefore as great a military problem as Iraq. Any hope that the French would rally to the defence of their Mandate has been disproved. The gesture of Colonel Collet in crossing over to the Free French did not create a precedent, and there is no guarantee that the replacement of the Anglo-phobe General Fougères by General de Verdillac will put an end to the compliance of the French in Syria. Clearly the British Government is faced with a major decision of policy. The chances of a rapid and successful Anglo-French occupation of Syria and the repercussions of such an occupation in Vichy, Casablanca and Dakar must be weighed carefully against the certainty that if the situation is allowed to drift, Syria will be simply waiting for the Germans when they are ready to move in. It is not a decision that can be made without a full knowledge of the facts, but it may be hoped that the undoubted risk of any positive action should be offset by the certain danger of doing nothing at all.

The Civil Defence Controversy

A good background for the forthcoming full-dress debate on civil defence has been provided by the fourteenth report of the Select Committee on National Expenditure, which gives a complete description of the ARP side of civil defence; the welfare side—evacuation, rest centres and so on—has been left for another report. Rightly, the Select Committee is mainly concerned with economising manpower rather than money in making its recommendations, and there will be little disagreement with its conclusion that some of the civil defence services are overstaffed while others, notably the AFS in certain areas, are still deficient. Overstaffing is particularly true of first aid parties and first aid posts. Large numbers of paid nursing auxiliaries are standing by for long periods while there is a serious shortage of nurses in hospitals; and the recommendation that first aid posts should be associated with hospitals, so that nurses can be employed there when not wanted at the post, is sound. But the chief interest of the report lies in the recommendations on administration. The complaint is made that there has been a lack of control by the Central Department, which has too often circularised authorities without following up the instructions, the division of responsibility between the Ministry of Home Security and the Ministry of Health is criticised. Some measure of administrative control has been achieved through the delegation by the Ministry of Health to the Regional Commissioners of authority in respect of the establishments of first aid posts and ambulance services and in respect of shelter welfare. But, generally speaking, the functions of the Regional Commissioners are limited to the functions of the Ministry of Home Security, so that there are two separate regional organisations—their own and that of the Ministry of Health. In default, therefore, of the establishment of a single Ministry of Civil Defence, which the Committee strongly recommends, it proposes that all the civil defence functions of the Ministry of Health (with the exception of evacuation and the hospital services which should still be evacuation and the hospital services which should still be controlled centrally) should be delegated to the Regional Commissioners, to whom all regional officers with civil defence duties would be responsible. There is the germ in this suggestion of the decentralised Civil Defence Ministry that many people believe would meet the case best.

The Cost of ARP

Some idea of the cost of civil defence can be gathered from the Select Committee's report. The biggest single item of expenditure has been shelter provision. By the end of last March the programme of Anderson shelters was to have been completed at an estimated total cost of £17,600,000 for the 2½ million shelters; unfortunately, about 35 per cent of them require water-proofing, which, if it is properly carried out, will cost another £3 10s. a shelter, or a total

of over £3 millions. Since February, a new programme of indoor shelters has been started for families with an income limit of £350, the cost of each being provisionally estimated at £7 4s. 6d. Exchequer grants for shelters provided in factories, mines and commercial premises in specified areas are estimated at £6,400,000, with an additional £800,000 to be paid in respect of newly specified areas where shelter provision is still in progress. Total expenditure by local authorities on shelter provision was nearly £37 millions up to the end of last September; of this nearly £9½ millions was in respect of trench shelters, which, as the Select Committee points out, have been little used as they were made for daylight, not night, raiding. Public shelters other than trenches cost £6,960,000. The total of £16,404,000 spent by local authorities on public shelter provision was shared between them and the Exchequer on a grant-aided basis, varying from 60 to 85 per cent; but in October, 1940, it was decided that thereafter all new public shelter expenditure should be borne entirely by the State. The second biggest item of civil defence expenditure—and the biggest continuing item—is salaries to whole-time paid civil defence workers. Including, presumably, the members of the AFS and the Emergency Medical Service, the pay of these 250,000 workers amounted to £39½ millions in the financial year 1940-41. The Select Committee's report does not give the total for all the different services, but it gives the EMS salary total—£1,360,000—and the proportion taken by the AFS may be judged from the White Paper on the Votes of Credit for 1941-42 (Cmd. 6279), which estimates expenditure on the pay of whole-time AFS personnel at £12,800,000 in the current year and of whole-time ARP personnel at £31,800,000.

Expenditure by the Ministry of Health in 1940-41 on "measures to deal with casualties and disease" was, according to the Select Committee's report, £15,703,000. The biggest items were payments for reserved hospital beds, £7,671,000, provision and maintenance of additional hospital accommodation, £2,913,000, medical stores and equipment, £1,753,000 and the EMS £1,360,000. But the most expensive civil defence service of the Ministry of Health, including the Department of Health for Scotland, is evacuation. The Votes of Credit White Paper estimates billeting allowances at £22 millions (net) in 1941-42 and grants to local authorities for evacuation purposes at £3½ millions. These estimates are probably bigger than actual expenditure in 1940-41, since a large-scale evacuation took place in September, 1940, and in succeeding months. The figures given above by no means exhaust the total cost of civil defence. In addition, there are a host of smaller items, such as Exchequer grants for water supplies, pipes and pumping stations, etc. (amounting to £925,000 up to last March), the cost of the Regional Organisation (£545,000 in 1940-41), the cost of extending the London Tubes (£1,330,000) and the cost of bunking public shelters (estimated at £2,300,000 in 1941-42).

No Picketing

London raised nearly £120½ millions in its War Weapons Week, over £21 per head of its people. It was an impressive effort. Speculation as to the proportion of this total which may represent genuine new savings, and not simply transfers or an extra large quota of institutional investment in the London area last week, has been given zest by an odd episode in the House of Commons. A Member complained in a question that loud-speaker vans had picketed certain popular stores and exhorted shoppers not to shop there; and a solemn assurance was given in reply that these ungentlemanly tactics would not be used again in the cause of saving. Actually, in any true view of the aim of war weapons weeks, the picketers appear as men of verve and enterprise. The idea is to cut down consumption *pari passu* with the rising total of savings, and "do not shop" and "save" should be almost synonymous. It is surely ludicrous to combine war weapons and shopping weeks in a single celebration, as some centres seem to do; and there is, unfortunately, no record yet of any entry in a district total reading "Blanks Stores contributed a turnover of £x thousands by closing down for War Weapons Week." Probably the picketers were rude. They certainly appear to have discriminated with undoubted unfairness against certain shops. But, given picketers of courtesy and discretion, there seems no reason why, in every war weapons week, there should not be similar loud-speaker vans outside every shop.

Two Broadcasts

Within the last week two Frenchmen have broadcast, Admiral Darlan to the French people, Pierre Laval to the Americans. It is curious to reflect that only six months ago the substitution of Darlan for Laval was thought to mean a significant change in the policy of the Vichy Government. To-day they speak with the same voice. There is the same violent condemnation of France's democratic past as the cause of France's present disasters, and, by contrast, no word of blame for the Germans who invaded the country by force, have seized two-thirds of it and are pillaging it all. There is only "gratitude" for their generous decision not to do even worse. There is the same incomprehensible insistence that France is "free," that she is exercising full liberty of choice which, in view of the events in Syria, to give but one example, leaves the British people to choose between despising the Vichy Government for its prostitution of words or scorning it for its freely chosen military collaboration against a former Ally. There is finally the determination to continue in the policy of building with Germany a new European order. At this point, differences between the two speakers begin, for while Laval is remarkable for what he says, Darlan is remarkable for what he does not. Laval has the whole future of France clearly mapped out. A "rejuvenated, reorganised and prosperous" republic will be the link between the "new order" in Europe and the new order in America, the pivot of the new Continental system of exchange. This "new order" is a "national order" under the leadership of a victor "imbued with the march of history"—a significant echo of Lindberghism with its "wave of the future." But to this happy consummation there are two conditions. One is that America shall "work for peace by peace." American intervention would destroy the dream of Hitler's natural order. The other is that France be prepared for "total collaboration." The cat which Admiral Darlan tried so hard to smother a few days earlier is out of the bag. Realising after his hostile reception by the people at Beauvais the intense unpopularity of his policy, Darlan gave no details of this "total collaboration." He defined it by negatives. Hitler has not asked for colonial territory, he has not asked France to declare war, he has not asked for the French Fleet. The guarantee is, therefore, the fact that Hitler has not asked. And when he does? But clearly he will not. He has not asked for two-thirds of France. He has only occupied it—provisionally. Why not Dakar, too? He has not asked France to declare war. He never does so himself, and Vichy is already talking the jargon of "protective action." As for the Fleet, it will not be surrendered now. But then the Syrian airfields, the use of Marseilles, the freedom of Morocco were not surrendered at once. How far will the disintegration of Vichy's pallid resistance have advanced in six months' time?

Finance Bill—Second Reading

Inevitably much of the discussion in the debate on the second reading of the Finance Bill was devoted to the detail of committee points. The basic features of the Bill, the steep rise in income tax, adoption of the "Keynes" plan in modified form and a change in EPT ruling, are broadly favoured by the House and aroused little serious criticism. As before, the most cogent charge levelled at the Chancellor was of failure to pursue his precepts to the bitter end. The total to be raised in borrowing in the current financial year, even after deducting all overseas borrowings or drafts on capital, exceeds by £100 millions the total to be raised in taxation. In the absence of thoroughgoing price and wage control, accompanied by some form of statutory limitation on total consumption, it is easy to understand the anxiety expressed on many sides that the revenue-expenditure gap will not be closed without recourse to inflation. It is, however, futile to challenge at one and the same time the extent of the Chancellor's borrowing and the burden of taxation. The point is that the prosecution of the war forbids the waste of energy and social dislocation involved in a severe scramble for goods, and, to avoid this, surplus spending power must be drawn off and standards of living must be reduced. The trouble about leaving so large a sum to be accounted for by borrowing is that evasion by potential lenders is infinitely more possible than if they were subject to tax and—hardly less important—the difficulty of distinguishing "real" saving from capital consumption and simple transfers must provide an over-optimistic picture of the financial front. From the social and psychological stand-

point, as was pointed out in the course of the debate, the essential difficulty of reliance on new savings is that it requires a voluntary reduction in expenditure on consumption at the very time when money incomes are rising. The 1941 Budget, embodied in the Finance Bill, did not quite go to the root of the problem, and, more or less dimly, this was recognised by the House. It was perhaps less clearly realised that the necessary cuts in consumption will be made automatically through brutal absence of supplies. If they are not made by taxation or savings, they will come about less agreeably by the operation of higher prices. Political circumstances may demand that some part of the necessary retrenchment is made by the latter means, but if so it is very doubtful whether the alternatives, which in no case include the ability to maintain consumption, have yet been brought home to the public—or even to the House of Commons.

Caudillo and Falange

Last week it looked as though the intense internal struggle in Spain had, with the appointments of Señor Primo de Rivera and Señor Giron to the Ministries of Agriculture and Labour, ended in a compromise which, while leaving the Falange materially weakened, nevertheless preserved a measure of agreement between the radical and conservative wings of the Spanish Government. Although the Ministry of Agriculture is a post of first-class political importance in a country where the agrarian question is paramount, Señor Primo de Rivera is not an enthusiast for the large State farm of the Falangist version of collectivisation, but for the splitting up of the big estates on a distributist basis—a move which the totalitarians of either Right or Left have always opposed. The first hint that the earlier obvious deduction—of a state of restored tranquillity under Franco's unquestioned leadership—was premature came when, after the first meeting of the new Cabinet, the Press censorship was transferred from the Ministry of the Interior to the Falange. Now it was the decision of the Falangist Minister of the Interior that the Falangist Press should not be submitted to censorship, which caused Franco, nearly a month ago to appoint his friend, Colonel Galarza, to the Ministry of the Interior, and one of the new Minister's first acts was to re-extend Press censorship to the Falangist Press, conducting at that moment a violent campaign against the "pluo-democracies" which had just lent Spain £2,500,000. It is both curious and significant that after three weeks of reshuffling Spain's ministerial and civil appointments, the outcome should be to restore the state of affairs against which the original steps were taken, and not only to restore it, but to strengthen Falangist control in a sphere which, during a war of nerves, is in the front fighting line. It must not, therefore, be taken for granted that the situation in Spain has been stabilised. Suñer is still in office. The Falange still has immense power. The German Embassy is still in Madrid. The German network of Gestapo agents has not, presumably, been touched. And now the Germans are pressing Vichy France to surrender the Pyrenees frontier to German occupation. General Franco probably wants peace as much as he ever did, but it must not be too lightly assumed that he can preserve it—for the asking.

Mr Menzies and Mr Curtin

It must have been disheartening for Mr Menzies, after his long visit to England at an epoch-making time, to return to Australia and to be plunged immediately back into party politics. His address this week was a stirring call to the citizens of Australia to recognise that "this year is a year of fate," to follow the honoured example of their fighting forces in the Near East, to realise, "every man of us, that this war is his business and nobody else's." He made a passionate appeal for party co-operation—"whoever is to do the job of Prime Minister must have behind him a united purpose, action and spirit." Fortunately for his own position, the result of the Boothby by-election has gone in his favour, the Government candidate securing a majority of about 9,000 over his Labour opponent. Unfortunately, Mr Curtin is still obstinate. He has refused Mr Menzies' offer of half the portfolios in a National Government, and the political deadlock continues; the only chance of it being resolved seems to lie in the possibility that

public opinion will become disgusted with it, and it is significant in this connexion that at the Boothby election the Government candidate put the formation of a National Government in the front of his programme, while the Labour candidate put in his the right of the Labour party to govern if he were returned. Now that his majority has been saved by the election result Mr Menzies might well feel inclined to give up the struggle for Labour's co-operation, and be content with his present precarious position. It is to be hoped, however, that he will act as though he had lost the election, that is, continue to make every possible offer to Labour which is consistent with true political unity. As for Mr Curtin, it is sheer nonsense for him to say that the political formula of a National Government "would be the signal for a political and industrial disturbance as dangerous as it was inevitable." It is true that a National Government, formed from the party leaders, is not an end in itself. But political unity is an essential first step towards the formation of an administration of all the talents, irrespective of party affiliations.

The Holiday Muddle

The arrival of yet another public holiday, which is to be freely observed by many who do not particularly need it, while some who work hardest are held to be barred from its enjoyment by the national interest, suggests strongly that Government policy in this matter still needs drastic overhaul. There can be no doubt that, prior to the collapse of France, the average working week in this country was too short, or that the correct response to Dunkirk was an intensive effort by all those who could make a real contribution. Such a spurt cannot, however, be kept up indefinitely. Hours of work and holiday arrangements ought, before now, to have been placed on a basis which, while making some concession to pressing short-term needs, takes account of the certainty that the effort will have to be sustained for a lengthy period. It appears to be frequently assumed that the means to maximise output is to secure an increase in the number of hours worked, but it is a commonplace that there is a point at which the gain in hours is more than offset by a fall in the quality and quantity of the product. Actually the objective should be regular attendance for an "optimum" number of hours. What constitutes the optimum is doubtless capable of being affected by a number of factors, of which the prospect of a more prolonged rest at reasonable intervals is one. Whether, say, one week once a year is sufficient is a matter for the expert, though it can hardly be maintained that it is in cases where an intensive effort is maintained almost daily for a period of months; and, if this sort of effort is necessary—and can be made without loss of quality in workmanship—holidays should be proportionately longer when they come. Holidays without reasonable hours of work will, however, not solve the problem of keeping the labour force, whether it uses mainly its hands or its head, in good condition. The figures of the Health of Munitions Workers Committee in 1917 showed that a reduction of working hours of up to 20 per cent resulted in a material expansion in output. The findings of the Committee—confirmed by subsequent experience—suggest an optimum working week of fifty-six hours. This means a three-shift system, which, as was pointed out in *The Economist* of January 25th, entails dilution and training or re-training on a scale which even yet is scarcely more than a remote objective. A much more intensive effort to expand the labour force, coupled with sufficient periods for rest and relaxation, will go a long way to remove some of the drags on production, and, possibly, help to cure the all too prevalent absenteeism.

The OCEAN

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

FOR ALL CLASSES OF INSURANCE

A Vote of Thanks

The King's appointment of General Smuts to the rank of Field Marshal on his 71st birthday, Empire Day, 1941, in recognition both of his personal services and qualities and of the gallant part played by South African forces in the successful conclusion of the East African campaign, has a unique interest. It is, first and foremost, of course, a tribute to the vigorous statesmanship with which Field Marshal Smuts has set himself to define South African policy ever since his notable work in the last war. It is probable that his greatest claim on British gratitude for his services since 1918 is the sympathy with which he has interpreted British policy to the citizens of South Africa. He brought the Union into the war in 1939 against a strong body of opinion in favour of neutrality, led by General Hertzog, his own associate and then Prime Minister. In a country where British Imperial policy of earlier years has left a legacy of bitterness and misunderstanding intermingled with widespread recognition of the best progressive Imperial tradition, Smuts has proved a staunch advocate. He is disliked, distrusted and bitterly assailed by his political opponents; but it is his lead that South Africans, British and Afrikaner alike, have freely followed in increasing numbers, until neutrality has plainly become a dying cause. The grant of a specifically military honour—which in itself creates a precedent, since no other Dominion citizen has yet been raised to the rank of Field Marshal—is an indication of the importance attached in this country to the performance of the South African fighting services. British policy to-day permits no pressure to be brought upon the Union to extend its willingness to send units to serve outside the African continent; but the recent feats of the South African army and air force are no less welcome because the liability of the combatants has been geographically limited. And it is probable that, if the need arose, the new Field Marshal would readily be given permission by the Union Parliament to send South African troops to fresh fields in other Continents. The Opposition, which is still strong, is sure that "England" is losing the war. The Field Marshal is convinced that the British Commonwealth will win, and the great majority of the people of the Union believe him.

* * *

Workers in Transit

Injuries by accident to workers travelling to and from their homes to work have greatly increased during the war. The black-out, greater fatigue, the dislocation of home life and increased night work are obvious reasons. Yet, under the law of workmen's compensation in this country, workers meeting with accidents on the way to and from their places of work do not get compensation. This also applies to members of civil defence organisations, and (as was stated by a Member of Parliament on May 1st in the House of Commons) the widow of a full-time air-raid warden, who was killed by a first-aid vehicle on his way to report for duty, but ten minutes before his duty actually began, gets no pension. Under the law of workmen's compensation, the term "accident" is narrowly defined by the condition that it must arise "out of and in the course of" employment, so that travelling to and from work is not covered; and the compensation scheme for civil defence workers was drafted, in consultation with the Trade Union Congress and the Employers' Federation, on the understanding that it should coincide as far as possible with the law of workmen's compensation. In Germany, where injuries of that kind are compensated, there are every year some 4,500 compensated accidents to workers travelling to and from work, most of them to industrial workers, and these constitute over 5 per cent of all new cases of compensated industrial injuries during one year. Moreover, these are only the serious cases. There is a much greater number of "reported accidents on the way to work," 85,000 or more a year, which, being only minor injuries, are paid for by the German sickness fund. These figures give some idea of what the figure might be in this country; and there is no obvious reason why the law of workmen's compensation here should not have been similarly devised.

* * *

Coinage in 1940

Although the 1940 output from the Royal Mint showed no great change from that of 1939, the figures are very high compared with those of previous years. Large additional quantities of coin are now needed to pay, not

only the men in the Services, but also the great numbers of ARP and other war workers who hitherto had not been wage earners. Although wartime conditions may have caused some local scarcity of coin from time to time, there is no shortage. Indeed, the quantity of coin now in circulation, estimated at around £90,000,000, is greater than ever before—even more than in the inflationary period of 1920. The striking of pennies was stopped last June and has not been resumed. This is not the first time in recent years that the issue of pence has been suspended, but in the past the Mint's action has been due to a heavy surplus of bronze coin, whereas the present suspension is made to conserve copper supplies. Large additional supplies of nickel-brass 3d. bits have been issued to take the place of the pennies.

COINS STRUCK DURING 1939 AND 1940

Silver	1939	1940
	15,478,635	17,948,439
Half-crowns	20,850,607	18,700,338
Florins	21,316,569	21,012,215
Shillings	28,670,304	20,875,196
Sixpences	1,355,860	7,914,401
Threepences	5,255	5,309
Maundy		
Nickel Brass	1939	1940
	5,603,021	12,636,018
Threepences		
Bronze	1939	1940
	55,560,000	30,927,600
Pence	28,924,800	32,162,400
Half-pence	31,440,000	18,360,000
Farthings		
Total	209,205,051	180,541,916
Colonial and Foreign	120,142,803	147,534,920
Grand Total	329,347,854	328,076,836

During 1940 there was a larger demand for halfpence, owing partly to the increase of the rd. fares of London Transport to 1½d. and to the odd halfpence which creep into the prices of small quantities of rationed foods. The number of halfpennies struck in 1940 was 32,162,400, compared with 28,924,800 in 1939, but obviously the Royal Mint, having suspended the issue of pennies in order to economise metal, could not allow an unlimited increase in the issue of halfpence. Indeed, halfpence are relatively more costly to make than pence. One ton of bronze will make £448 of pennies but only £373 of halfpence or farthings.

* * *

Shorter Notes

British ignorance about the affairs of the colonial empire is well-known. Six months ago, the Fabian Colonial Bureau was established to collect and collate information in colonial subjects and to interest Parliament, the Press and the public generally in colonial affairs. This week, the Bureau has published the first number of its bi-monthly journal *Empire* (price 3d.), which promises to be a very useful source of knowledge about current events and problems in the colonial empire.

*

A writ of *habeas corpus* has been granted to Captain Budd, who has been detained under Regulation 18B for eleven months. In giving judgment, Mr. Justice Humphreys strongly criticised the order made by the Home Secretary. On it, Captain Budd was stated to be a member of the British Union of Fascists, but there was no mention in the order that the Home Secretary was satisfied that it was necessary to exercise control over him, a condition of detention which the judge held to be essential. An order covering 25 persons, such as this one, was necessarily couched in vague and general terms, and he considered that the Home Secretary had not paid sufficient care and attention to Captain Budd's individual case. It was quite impossible, therefore, to say that the Secretary of State had reasonable cause to believe that Captain Budd should be detained. Moreover, on his detention, Captain Budd was given a document purporting to be a copy of the Home Secretary's order. Actually it was a completely different document declaring him to be a person of hostile associations, over whom control should be exercised.

THE WORLD OVERSEAS

Canadian Budget Debates

(From our Ottawa Correspondent)

May 13th

THE Budget has occupied most of the time of the House of Commons since the reassembly on April 28th. It is still in the committee stage, and all the Opposition groups have been criticising certain details of the proposals. The Minister of Finance has made an important concession to protests from both Canada and the United States against his proposal to raise the special tax of 5 per cent, now payable by foreign holders of Canadian securities on the interest (when payable in Canadian currency), to 15 per cent, and to extend the scope of the tax to cover interest on all bonds held by non-residents, except Dominion or Dominion-guaranteed securities; he has now agreed not to tax interest on Canadian bonds held by non-residents when it is payable in foreign currency. But this concession does not satisfy Premier Hepburn of Ontario, who has sent a strongly worded message of protest to Ottawa and demanded that the Federal Government reconsider the whole tax; he contends that the exemption of Dominion securities constitutes an unfair discrimination against the holders of provincial securities which will destroy provincial credit.

A number of the provinces have signified their willingness to accept the arrangement proposed by the Federal Government, whereby in return for adequate financial compensation they will waive their right to collect personal and corporation income taxes for the duration of the war, but Ontario has withheld its decision and may now refuse to co-operate. It was disclosed in the Budget debate that, in the fiscal year 1940, twenty-seven persons in Canada had net taxable incomes of more than \$200,000 per annum, twenty-eight had incomes between \$150,000 and \$200,000, sixty-six between \$100,000 and \$150,000 and 102 between \$75,000 and \$100,000.

Conscription and Recruitment

The Government would like to achieve prorogation before the issue of full military conscription, which has been hanging over it like the sword of Damocles, becomes acute. Ministers are well aware of the political dangers inherent in it, and want to avoid facing it if possible. But in recent months the flow of recruits for the active service force has dried up, and, unless it can be stimulated, the demand for full conscription will gather such momentum in the English-speaking provinces as to become irresistible. The Government has, therefore, launched a special recruiting campaign designed to secure 32,000 recruits for Canada's fighting forces in the next three months. Last week, Dr H. A. Bruce, a prominent Conservative, brought the question of full conscription into the parliamentary arena, arguing that the present system of voluntary recruiting had become cumbersome, slow and wasteful. He urged that Parliament before it adjourned should give the necessary authority for full conscription. However, Colonel Ralston, the Minister for National Defence, expressed confidence that the recruiting campaign would bring in the required number of men and criticised Dr Bruce for raising an issue which could not fail to disrupt national unity. Meanwhile, the Government has decided that the first batch of trainees, who are being trained under the four months' plan, will not be released from duty when their period of training ends in July, but will be retained in coastal defence or at points in the interior, in order to set free men who have volunteered for active service. If the recruiting campaign is successful, Ministers will escape the political crisis which the introduction of full conscription could scarcely fail to create.

The returns for foreign trade remain very satisfactory. In April, the value of domestic exports was \$124 millions, a gain of nearly \$39 millions over April, 1940; for the first

four months of the year exports were valued at \$413 millions, compared with \$327 millions in the same period of 1940.

The first crop report of the Bureau of Statistics estimates the wheat acreage of all Canada for 1941 at 21,655,500, a decrease of 7,070,000 from the record total of 28,726,000 in 1940. The reduction of the wheat acreage in the three prairie provinces is 6,868,000, or 25 per cent, which is substantially below the Government's objective of a reduction of 35 per cent. The bonuses offered for substituting coarse grains for wheat have resulted in the oat acreage for all Canada being increased by 12 per cent to 13,827,000 acres, the barley acreage by 24 per cent to 5,393,000 acres, and the flax seed acreage by 40 per cent to 555,900.

There has been little change in general business conditions, and the weekly economic index of the Bureau of Statistics has moved upwards only slightly in recent weeks:—

Week end	Car-loadings	Wholesale Price	Bank Clearings	Weekly Index
May 4-40 ...	82.1	83.0	97.6	106.5
April 19-41 ...	99.4	86.5	108.3	111.2
April 26-41 ...	98.9	86.4	109.6	111.3
May 3-41 ...	98.1	86.7	110.8	111.4

According to the Bureau of Statistics, the national income of Canada in the first quarter of 1941 was \$1,248 millions, compared with \$1,133 millions in the same period of 1940. A substantial share of this gain has fallen to the workers, and their increased purchasing power has improved retail trade; its level is well ahead of last year's, and in April the sales of Canadian department stores were 26 per cent higher than in March, 1940.

The boom in industry continues, and the output of munitions and war materials is mounting steadily. The first of the 300 large tanks being manufactured in the Canadian Pacific Railway's shops in Montreal will roll off the assembly lines next week, and good progress is being made with the light tank programme. The motor manufacturing plants have had their output of private cars curtailed, but they are very busy with war orders, and in April their output was 27,584 units, compared with 19,687 in April, 1940. The forestry industries are still prospering, and the output of newsprint in April was 279,996 tons, or 76.7 per cent of the total capacity of the mills, compared with 75.5 per cent in March and 73.4 per cent in April, 1940. Newsprint stocks are benefiting by the decision of the Government that the industry will be treated as a "depressed" one in the pre-war years, and will accordingly be given special consideration in the computation of the Excess Profits Tax.

Tinplate for Portugal

[FROM OUR LISBON CORRESPONDENT]

May 21st

TINPLATE is essential for the Portuguese packers of sardines, tunny and fish products generally, the normal annual demand being 200,000 boxes. England takes the bulk of the pack (90 per cent last year), and is doing all it can to meet packers' needs. There is a shortage, however, for imports between July, 1940, and the end of March were only 25,000 boxes; this is made into matter for German propaganda, on the familiar line that England is deliberately strangling Portuguese trade. Navicerts for 60,000 boxes of tinplate are reported to have been issued, but makers in the

United Kingdom are swamped with orders and American exporters need licences.

It is a serious matter for Portugal. Many of the smaller packers have no stock of plate in hand, and buy for seasonal trade through importers. In all, the packing industry employs some 20,000 hands, excluding the fishermen, and the yield in Portugal's export trade is close on £3,000,000 annually. The majority of packers recognise that England is doing everything possible to increase supplies, but German influence has worked on several of the smaller concerns, urging them to voice their protests whenever possible, and this is backed up by broadcasts from Berlin stressing the sinister influence of Britain. Increasing arrivals of tinplate, wherever possible, will be the best counter-attack.

Argentina's Financial Problems

[FROM OUR BUENOS AIRES CORRESPONDENT]

May 2nd

EARLY in April, the Government's financial estimates for 1941 were presented to Congress. Expenditure at 1,110,976,193 pesos (including 259,390,002 pesos for debt services) is substantially the same as for the previous year, but a promised saving of 50,000,000 pesos in administrative economies would reduce total expenditure to 1,060,976,193 pesos. Revenue is estimated at 786,733,600 pesos; this would be supplemented by 80,500,000 pesos after proposed changes in existing taxes, which would raise the additional revenue as follows:—

Income tax	...	40,000,000 pesos
Stamp duties	...	6,500,000 pesos
Death duties	...	4,000,000 pesos
Oil royalties	...	30,000,000 pesos
		80,500,000 pesos

On the other hand, the Budget message points out that import duties are likely to produce 40 million pesos less than the calculated revenue from this source if the two dollar loans, totalling U.S. \$110 millions, granted to Argentina by the United States, are not ratified by Congress. If the promised administrative economies produce the expected reduction in expenditure, and if the loans are ratified, there remains an estimated deficit of approximately 194 million pesos.

The Cabinet of Vice-President Castillo, which has undergone repeated changes since he became Acting President in the middle of 1940, has failed to obtain Congressional sanction for its most important measures, owing to the refusal of the powerful Radical bloc to debate these until the alleged irregularities in two provincial elections were thrashed out in Congress. The much-discussed "Pinedo plan," a measure to mobilise the country's monetary resources for a far-reaching programme of industrial and housing development in order to counteract the dislocation of foreign trade, was thus left in abeyance. And the extraordinary sessions of Congress, which were notably barren, have now been adjourned without discussion of the 1941 Budget.

Government by Decree

Some days before the adjournment, the Acting President announced to the Press: "It is not possible for the Government to follow the inertia of Congress at a time when legislation is indispensable. The Government must supply by decree what the country needs and has not obtained through legislation. Firm, effective action by the Government starts now." He added that the Government's solutions of important problems resulting from the international situation, which were discussed at a recent Cabinet meeting, would become known to the country as decrees were issued. The first step in this expedient of government by decree has been the Government's decision to put into effect provisionally the 1940 Budget.

Meanwhile, an indication of the Government's tax proposals has been given by two Bills recently presented to Congress by the Finance Minister. The first of these proposes an excess profits tax, which would apply to all indus-

trial and commercial profits exceeding 8 per cent of invested capital, on a sliding scale ranging from 10 per cent (on profits from 8 per cent to 10 per cent) to 30 per cent (on profits exceeding 25 per cent). In his message sponsoring the Bill, which establishes a validity of three years for the law, the Minister announces that it has been drawn up to meet, not only the present situation, but also "the prolongation of the causes which gave rise to it." He also states that the total additional revenue expected from all tax sources by modified legislation is 150 million pesos. His second measure introduces sweeping modifications in the present income-tax legislation, and has been designed, in his own words, "to secure a moderate increase in revenue from income tax in such a way as will ensure that the incidence of taxation will be borne by those contributors best able to pay without serious consequences to their individual economy, while according exemptions and reductions in the case of present contributors whose economic situation does not permit them to continue to support the present burden of taxation." While wholly or partially exempting 70,000 taxpayers in the lower income classes, the project provides for a graded surtax (in addition to the basic rate of 3 per cent), ranging from 2 per cent on incomes of 5,000 pesos per annum up to 10,000 pesos per annum to 22 per cent on incomes of 1,000,000 pesos per annum. An important innovation is contained in the clause abolishing the freedom from income tax of future national bond issues, the holders of which will require to declare their holdings to the income-tax authorities or in default pay income tax (to be deducted at source) at the rate of 25 per cent on services payable within the country and 12½ per cent on services payable abroad. The Minister claims that this step to meet tax evasion, which will apply to all taxable income from bonds, shares and debentures, will ensure an additional 20 million pesos annually.

The ordinary sessions of Congress will begin in the middle of May. It remains to be seen whether the pressing legislation which has so far failed to find a quorum owing to the intransigence of the Radical representatives will then be debated, or whether the country must expect a continuance of government by decree. The Acting President's opening message is awaited with interest.

Egyptian Defence

[FROM OUR ALEXANDRIA CORRESPONDENT]

March 25th

WHEREAS for the first war year expenditure and receipts were estimated at £E47,718,000 and £E45,818,000, respectively, which necessitated recourse to the general reserve, for the 1941-42 financial year both expenditure and receipts are estimated at £E46 millions. Such a fact nowadays would have been remarkable even in a neutral country far removed from the theatre of war; it is the more so in the case of Egypt, situated as it is at the centre of the Battle of the Mediterranean.

Yet more remarkable is the fact that in the new Budget expenditure for national defence is placed at £E6,635,000 and expenditure for the execution of the Anglo-Egyptian treaty at £E340,000, against £E7,252,400 and £E460,000 respectively in 1940-41. The fall in national defence is due to the completion, in many cases, of initial outlay. According to the Minister of Finance's Budget note, outlay for aerodromes, buildings, workshops, purchases, special eventualities, etc., will amount to £E1,500,000, against £E2,675,000 in 1940-41, while current expenses will increase by £E578,000. National defence now ranks second in the Budget—after communications, which, incidentally, are largely benefiting from increased receipts resulting from British military traffic.

In 1939, receipts of the Suez Canal Company totalled roughly £E8,000,000, but in 1940 they fell to only £E800,000. A military order was therefore issued on January 5th laying down that payment on bonds should be made on the basis of the franc valued at P.T.3.8575 and not on the basis of gold, as the company's revenues from dues were no longer sufficient to meet even the expenses of administration and already a recourse to reserves had had to be made. The military order is only a temporary measure, not affecting the rights of bondholders and not intended to exempt the company from Court judgments in respect of the bonds; nor does it prevent bondholders from reserving their rights.

American Economic Trends

(From Our New York Correspondent)

Rise in Farm Prices

May 17th

THE rise in primary commodity prices in the past three months has been little short of spectacular. At the end of February, Moody's index of primary commodities was 175.5; at the end of March it was 185; at the end of April, 185; and in the second week of May, 196. The movement of this index is primarily a reflection of markets in agricultural commodities.

The impulses making directly for the current price movement derive from two different sources. First, all this spring there has been continuous and wide insistence by organised labour for wage increases. Sometimes these have been granted only after more or less prolonged strikes; more often, the threat of a strike has sufficed; in other instances the demands were anticipated. The result has been to lift hourly wage rates by roughly 10 per cent over a great part of American industry, mostly since the end of February.

This was not unnoticed by the guardians of the farmer. The demand for farm products was already fairly strong, as increased consumption was undoubtedly accompanying fuller industrial employment; but this demand was supplemented by active operations by various Federal agencies. Several commodities, including butter and eggs, were stabilised in the late winter at prices well above levels prevailing shortly before. To these efforts have been added legislative proposals to lift the "parity loan" percentages applicable to crops which must be processed before reaching the consumer.

The Fair Price

The parity loan is a mixture of the ancient concept of the "fair price" and the doctrine of economic equilibrium. It is assumed that, at a selected period in the past, the several prices of basic farm products stood in an ideal relation to the price of non-farm products as a whole. This relation is "parity." When the price is below this parity, loans are given on the basis of a designated percentage of this parity—actually 75 per cent. The original idea was that such loans would prevent forced marketing; but as events have developed, it is difficult to detect the difference between the loan and a sale under repurchase agreement. The tendency was for the loan value to become the market price. Hence the insistence by a majority of Congress that the loan percentage be lifted. The current legislation names the figure of 85 per cent; the Bill, however, has not yet been signed. But it must be remembered that this parity is related to a general price level which is itself moving upward, under a variety of impulses, only one of which—wage increases—was mentioned above.

In this respect, therefore, American policy has differed from that of most European countries. There, governmental effort since the war has been largely concerned with restraining the prices of agricultural products. In this country, the official effort has continued to be directed toward lifting agricultural prices.

Despite these efforts, the wholesale price index of the Bureau of Labour Statistics still displays a remarkable spread. For example, in the second week of May, the index of building materials was 100; of metals and metal products, 98; and of hides and leather products, 105. At the same time, farm products were 75 and foods 79. But the efforts have not been in vain; in the middle of last July building materials were 93, metals 95, and hides and leather 100; while farm products were 66 and foods 70. That is, over the recent period, farm products and food have risen more than most other groups. This impression is qualified by the fact that the general wage increases of the past ten weeks have not yet been fully reflected in "other" commodities. Broadly speaking, this war has as yet not duplicated for the farmer the bonanza days of "the other war"; but neither has it materially worsened his relative status in the economy.

New Highs for Industry

THE business indices for March showed an advance, whether they are adjusted for seasonal changes or not.

FRB BUSINESS INDICES (unadjusted)

1935-9 = 100 for industrial production
1933-5 = 100 for other series

	March '40	Feb. '41	March '41*
Industrial production (total)...	112	138	143
Manufactures (total)	112	142	148
Durable	121	167	176
Non-durable	105	122	125
Minerals	110	115	116
Construction contracts (total) ...	63	86	96
Residential	60	68	79
All other	65	100	109
Factory employment (total)	104.4	117.8	—
Durable goods	99.1	121	—
Non-durable goods	109.5	114.7	—
Factory payrolls (total)	98.8	126.9	—
Durable goods	98.7	139.4	—
Non-durable goods	101.0	112.9	—
Freight car loadings	87	79	83
Department store sales	86	82	94
Department store stocks	71	70	—

* Preliminary

For six months now production has been running at a rate well above the highest levels briefly attained in 1929 and 1937.

PRODUCTION OF MANUFACTURES

	Total	Durable Goods	Non-durable Goods
Oct. 1940.....	136	155	121
Nov. 1940.....	137	158	121
Dec. 1940.....	139	161	121
Jan. 1941.....	137	161	117
Feb. 1941.....	142	167	122
Mar. 1941.....	148	176	125

	Durable goods Employment	Durable goods Payrolls	Non-durable goods Employment	Non-durable goods Payrolls
Oct. 1940.....	113	123	115	108
Nov. 1940.....	116	125	114	107
Dec. 1940.....	118	132	115	112
Jan. 1941.....	118	132	113	108
Feb. 1941.....	121	139	115	113
Mar. 1941.....	—	—	—	—

	Average Hours Worked	Average Weekly Earnings
Oct. 1940.....	39.3	27.13
Nov. 1940.....	38.6	26.93
Dec. 1940.....	39.8	27.89
Jan. 1941.....	39.0	27.69
Feb. 1941.....	40.0	28.66
Mar. 1941.....	—	—

These tables confirm each other. In the past six months, there has been no great change in the non-durable goods industries; in durable goods, there is an increase in production of well over 10 per cent, and an increase in employment of a little under 10 per cent, and an increase in payrolls of about 10 per cent. In manufacturing generally, the week has lengthened, until it is at the legal limit of 40 hours—a limit which can be passed for overtime. Of course, at the 40-hour average, a great many persons are working overtime; in other cases, two or more shifts are employed.

Comparisons with a year ago are more conspicuous. Factory employment is over 15 per cent higher and payrolls over 25 per cent higher. In February, average weekly earnings were about 15 per cent (over \$3.00) higher than in February, 1940—much of which is the consequence of longer hours, as average hourly earnings are only 5 per cent higher than a year ago. In March, there was a rather widespread epidemic of strikes, and in March, and more especially in April, there has been a number of fairly steep wage increases in several major industries. These are not reflected in the data given above, as February is the last month covered.

THE BUSINESS WORLD

Building Societies in Wartime—I

TWO devastating years have passed since *The Economist* last reviewed the position of building societies in detail. From a special survey of the movement made on July 1, 1939, one principal conclusion emerged: even abstracting from the risk of war, building societies would have to adapt themselves to a spell of declining new business. A decade of unmatched growth appeared to have reached a climax; it seemed that there was no obvious alternative outlet for building society funds comparable with the financing of moderate-sized, owner-occupied houses. That class of business, having expanded to unforeseen dimensions, had clearly passed its zenith. Competition between the societies, always keen, threatened to become acute. There were signs, in some directions, of undue interest in the more speculative risks of large business premises and flats. Undeniably, there was a feeling among sober observers of the movement, that the progress of the 'thirties had been heady, and in some cases even intoxicating. A pause for reflection and consolidation was indicated, and it promised to be beneficial.

In peace-time terms, the question confronting the movement in the early months of 1939 was whether its ability to expand would be matched by comparable powers of adaptation to more stable conditions. Two years of war have swept this question aside. Adaptation there has certainly been, but in response to changes of a catastrophic order. New business has not declined; it has virtually disappeared. Instead of rare and unwelcome manifestations of the "mortgage strike," the societies have had to cope with the inability of many mortgagors, whose personal probity was above reproach, but whose incomes had been sharply reduced, to maintain their contractual payments. And for many months in the early stages of the war, when air bombing was a threat, but not a fact, the societies still remained in doubt about the eventual value of their mortgage assets, if they should be destroyed by enemy action. Now they have a collateral bulwark in the Government's insurance scheme, for which they pressed long before war broke out, even though they may complain of the cost which it imposes upon them.

It is intended in this article to measure the effects of some of these major changes, leaving for a second discussion the difficulties of balancing the profit and loss account under present conditions, and the many delicate questions of policy which must be expected as the war grows more acute. For this first statistical article, we may build upon the survey already cited. But while in peace-time an elaborate statistical review of the position of over 100 leading societies could be presented, wartime research must be more modest. Fifteen leading societies have therefore been selected, whose figures are likely to be representative of the entire movement, and whose total assets accounted for 53 per cent. of the total assets of all societies in 1937. For some important figures, however, four of these societies appear to have taken advantage of a wartime relaxation in the normal form of accounts, and have issued abridged figures which do not reveal new shares and deposits and withdrawals, nor mortgage repayments during the year. Probably, the remaining eleven societies are sufficiently characteristic of the mass to make their figures reliable as an indication of trend. The figures are summarised in the table in the next column.

It is obvious from the first line of this table that there have been no sharp contractions in the total assets under the control of building societies. The fifteen societies whose reports were analysed show a decline in total assets of no more than 3 per cent between 1939 and 1940, and the latest total of £391,393,700 is not appreciably below the 1938 level. For the movement as a whole, these figures would suggest that total assets may have declined from £758.9 millions in 1938 to about £743 millions at the end of 1940. But behind this relatively small change in local assets some important transfers have occurred. They

are reflected partly in the decline in the proportion which outstanding mortgages bear to total assets from 89.7 per cent in 1939 to 88.2 per cent in 1940, and in the rise in cash and investments from 9½ per cent to 11½ per cent of the total.

The explanation, of course, is that a decline in new mortgage business has produced the expected result—namely, that there would be an increase in liquidity, provided that the total investment in the societies, in the form of shares and deposits, remained reasonably stable. The figures showing the total amounts due to shareholders and depositors reveal that no "run" has been allowed to weaken the societies' financial position. Many societies have, of course, availed themselves of the permissive right to require six months' notice of repayment of shares or deposits. But, while this measure has provided a useful financial "buffer," it would be unfair to suppose that, in its absence, the societies would have been confronted with unmanageable demands for repayment. It is regrettable, perhaps, that the deposit balances have fallen more, both absolutely and relatively, than share balances, for the latter are four times as large as the former, and carry a substantially higher rate of interest. But the eleven societies whose de-

BUILDING SOCIETY FINANCE—1937-40

	1937	1938	1939	1940
Total Assets, end year	£000's	£000's	£000's	£000's
Due on Mortgages	378,274.6	399,794.7	403,620.7	391,393.7
Due to Shareholders	330,894.5	354,622.1	361,725.3	344,682.0
Due to Depositors	270,524.6	283,384.4	288,074.7	282,279.4
Investments	84,329.1	91,271.8	87,139.7	79,336.7
Cash	35,940.2	33,871.0	29,052.3	32,178.0
New Shares Subscribed*	9,113.0	8,971.3	9,451.5	11,434.9
Shares Withdrawn*	18,951.9	19,262.7	18,958.0	8,879.2
New Deposits*	16,900.2	19,706.2	23,376.1	16,918.2
Deposits Repaid*	10,725.6	15,424.9	10,875.6	5,086.0
New Mortgage Advances*	8,470.0	10,784.8	15,043.2	11,148.3
Mortgages Repaid*	64,308.7	64,958.9	42,337.7	6,120.5
	30,629.2	30,921.5	28,220.6	20,815.2

Note: Figures relate to fifteen Societies (Halifax, Abbey Road, Woolwich, Huddersfield, Leeds Permanent, Northampton Town and County, National Park, Cheltenham and Gloucester, Portman, Bingley and Temperance Permanent) except where marked *. The latter exclude Halifax, Leeds Permanent, Leicester Permanent, and Cheltenham and Gloucester.

tailed figures of members' investments and withdrawals are disclosed, can surely congratulate themselves that new shares and deposits have replaced over half of the amounts withdrawn.

The truly spectacular changes, however, are to be found in the figures relating to mortgage business. Between 1936 and 1938, new mortgage advances occupied a lofty plateau from which, normally, the descent would have been fairly steady. In 1939, however, new mortgage business fell by roughly one-third—it can conveniently be said to have ceased on the outbreak of war—and last year, new mortgage business represented a mere 9½ per cent of the pre-war total of the eleven societies. Mortgage repayments on the other hand, fell by about one-third from the 1938 level to £20.8 millions for the same societies. Although this is a substantial fall, it is not out of line with major changes, such as the calling-up of large numbers of mortgagors to the forces, evacuation of certain areas, and damage caused by air-raids—all of which have inevitably affected the repayment of mortgage money. The societies generally have met these problems of their borrowing members with understanding, and have adopted the principle of "freezing" outstanding balances until the end of the war. The schedules of properties in possession and arrears, of course, have been considerably lengthened as a result of the war and some measure of permanent default has been inescap-

able. But, in all the circumstances, the measure of mortgage repayments continues to reflect the long-proven value of borrowers' personal covenants. It may be difficult to maintain such a high standard of performance during the present year, but there should still be a substantial re-flow of mortgage money from advances made in past years.

It seems fitting to bridge this statistical study and the discussion on policy which is to follow by some consideration of a crucial matter—the structure of building society interest rates. Figures have been extracted (though they are not shown in the table on page 730) which make it possible to compute the average level of interest rates paid and received by the societies, by the method shown on pages 12 and 13 of the survey of July 1, 1939. The results are given in the following table:—

COMPUTED RATES OF INTEREST
(per cent.)

	Shares	Deposits	Mortgages
1933*	3.8	3.4	5.6
1934*	3.7	2.8	5.5
1935*	3.6	3.0	5.2
1936*	3.4	2.8	4.9
1937*	3.3	2.7	4.9
1938*	3.3	2.7	4.8
1938†	3.3	2.6	4.9
1939†	3.4	2.7	4.9
1940†	3.2	2.6	4.8

* Based on 108 Societies. † Based on 15 Societies.

During the last three years, it is clear that no major changes in interest rates have occurred. The slight net

reduction in the rate of return on shares has been offset by a fall in the average rate paid on mortgage advances. In fact, the stable rates paid on members' shares and deposits have represented an ever-increasing gross rate of interest to the societies (and to tax-paying members), since they are paid free of tax. The societies have been compelled to pay an ever-increasing compounded rate of tax on their assessed profits in keeping with successive increases in the standard rate of tax. The margin of net return from building societies' business was already small, before the last budget and the contribution to the War Damage Insurance scheme were added to their outgoings.

One thing is clear. The traditional assumption that building society investors, as small men, are outside the normal scope of income tax assessment has been fundamentally changed by the direct taxation of lower incomes. Further, a tax-free rate of 3.2 per cent—which is equivalent to 6.4 per cent gross—is completely out of keeping with the structure of interest rates on gilt-edged securities. Would any move to bring these tax-free payments into line (a step which, it may be presumed, is being considered by the Chancellor of the Exchequer in his examination of tax-free payments) threaten the financial structure of the movement? In other words, would healthier revenue accounts mean weaker balance sheets, because funds would be withdrawn? The dilemma is not so formidable in a context of wartime controls as in peacetime, but its solution may have far-reaching effects on the structure of building society finance, the examination of which must be left to a succeeding article.

The Illusory Cost-of-Living Index

THE Ministry of Labour's cost-of-living index has come to be regarded by many as an almost sacrosanct measure of changes in the money cost of maintaining the standard of living of working-class families. A rise in the index by a given percentage is often cited as unanswerable proof of an equivalent increase in the cost of living all over the country in justification of claims to higher wage rates. Some 2½ million workers have their wage rates linked directly to the index. Even the Chancellor of the Exchequer lent some support to this view by implication when he announced on April 7th his intention of holding the index at 25-30 per cent above the pre-war level, in the hope that this would arrest the pressure for higher wages.

In view of the authority with which the official index has been invested as a kind of final arbiter in claims to higher wages, it is pertinent to examine its validity in the present scarcity conditions. The average cost of living of working-class families depends on the quantity of goods and services actually available and on their prices. To have any validity in the present emergency, a cost of living index must therefore take account not only of changes in the prices of consumers' goods, but also of alterations in the proportions in which they are available to the public. An index that does not satisfy these conditions, and is nevertheless widely employed for the purpose of adjusting wage rates, may give rise to the most unfortunate consequences upon the national economy.

The Ministry of Labour's index certainly does not satisfy these conditions. And, it must be said in fairness to them, the civil servants who calculate the index do not claim for it the authority with which it is widely regarded. Each month they carefully define the index in the *Ministry of Labour Gazette* as a calculation showing the average increase in the cost of maintaining unchanged the standard of living prevailing in working-class families prior to August, 1914, and they emphasise that no allowance has been made for any changes in the standard of living since 1914 or for any economies or readjustments in consumption and expenditure since the outbreak of the present war. When trade unions therefore press for higher wages by reference to a rise in the index, they are in fact demanding compensation for an increase in the prices of goods and services weighted in the proportions in which they were consumed before the last war. There is a double irrelevance in such a demand. First, the standard of living which it is sought to maintain is, by now, a mere historical curiosity, with only very indirect reference to the actual standard of living that prevailed among working-class families on the eve of the present war. But, secondly, even if this defect were corrected—even if there were to be a new cost of living index based on the results of the 1937-38 inquiry into working-

class family budgets, and therefore accurately reflecting the 1937-38 standard of living—it would still be absurdly illogical to apply a peacetime index to wartime conditions. For example, the 1937-38 inquiry established that the average working-class family consumed 40 ounces of butter and margarine a week, and a revised cost of living index would *inter alia* measure changes in the cost of buying that quantity of butter and margarine. But what relevance has that to a situation in which the average family of 3½ persons can only buy 22½ ounces of butter and margarine? If wages are raised to cover the increased cost of buying 40 ounces, families will be receiving money to spend on non-necessaries—or to save. Such a result may or may not be desirable—that is not the point that is at issue at the moment—but it certainly cannot be insisted upon as a necessity for maintaining the standard of living. Every wartime argument based on the cost of living index makes the tacit assumption that the working-class family consumes the same goods and services, of the same quality and in the same proportions in wartime as in peacetime—which is absurd.

Even during the last war, when the reduction in supplies was less marked than now, the index lost touch with reality. Indeed, the Ministry of Food of the time was quite aware of the fact that the index had become misleading, for it made an attempt to measure the change in actual expenditure on the main foods included in the index on the basis of current consumption and prices. The results, which were confirmed by the budgets examined by the Working Classes Cost of Living Committee set up in 1918, showed that the increase in the average expenditure per family was considerably smaller than the rise in the official cost-of-living index. Unfortunately this method appears to have been adopted rather late in the last war, but in February, 1918, when the official index showed a rise of 108 per cent. over the July, 1914, level, the actual average expenditure of working-class families on the staple foods included in the official index showed an advance of only 44 per cent. Even if allowance was made for the substitution of more expensive foods for those usually consumed, the official index still exaggerated the actual increase in the cost of living, measured by the volume of goods available. As Professor Bowley put it bluntly in his history of prices and wages in 1914-18 (The Clarendon Press, 1921), the cost-of-living index is illusory in time of stringency. If the index was unreliable in 1914-18, it is no more reliable in the present war, when supplies of a greater range of commodities have had to be drastically cut down. The Ministry of Food has so far refrained from publishing an index of the average family's expenditure on food since the outbreak of war; but it is possible to make a

rough calculation of changes in the cost of the majority of foodstuffs included in the cost-of-living index. The *Ministry of Labour Gazette* for December, 1940, contained an analysis of the volume and cost of the food consumed, on the average, by 8,905 working-class households during one week in each of the four months October, 1937, and January, April and July, 1938. By calculating the change in the retail prices of individual foods between 1937-38 and March 1, 1941, on the basis of the prices given in the *Ministry of Labour Gazette*, and by allowing for the reduction in consumption in the case of rationed foods, it is therefore possible to obtain a rough estimate of the change in expenditure. The results of this calculation are set out below. With the exception of fish and eggs, the table covers all the foodstuffs included in the official cost-of-living index; and the expenditure on the foods included accounted for some two-thirds of the total outlay on food by working-class families before the war, as ascertained from the 1937-38 inquiry into the budgets of 8,905 industrial households.

The decline in expenditure on meat has probably been somewhat smaller than this calculation suggests, for it has not been possible to make any allowance for poultry and rabbits and other minor unrationed items included in the meat group. Moreover, the consumption of bread, flour and potatoes, which are unrationed, may have shown some increase since 1937-38; but a 10 per cent increase in the con-

EFFECT OF RATIONING AND CHANGE IN PRICES ON EXPENDITURE ON BASIC FOODS

	Weekly consumption of average family of 3.75 persons (week in Oct. 1937, Jan., April and July, 1938)		Per cent change in Price to March, 1941	Present Ration per head	Present Maximum weekly expenditure	Per cent change in expenditure
	Quantity	Cost				
		s. d.	%		s. d.	%
Meat (incl. Poultry Rabbits)	22.4 oz.	6 2½	+19.8 (c)	1/-	3 9 (a)	-39.4
Bacon, Ham	11.2 p/s.	3 0½	+28.5	(b)	3 11½	+19.9
Milk	28.8 oz.	2 5½	+22.1	(b)	3 11½	+28.5
Butter	11.2 oz.	4 3	+12.0	(b)	3 11½	+36.5
Margarine	11.2 oz.	7 2	+20.3	(b)	3 11½	+19.6
Cheese	11.2 oz.	1 7½	+11.6	(b)	3 11½	+59.8
Tea	11.2 oz.	1 0½	+60.0	(b)	2 2½	+25.3
Sugar	76.8 oz.	2 8½	+9.6	(d)	2 5½ (e)	+9.5 (e)
Bread	13.5 lb.	10	+16.6	(d)	8½ (e)	+16.6 (e)
Flour	4.4 lb.	1 1½	+15.2	(d)	1 3½ (e)	+15.2 (e)
Potatoes	13.5 lb.	1 1½	+15.2	(d)	1 3½ (e)	+15.2 (e)
Total	...	21 11½	...	...	17 7½	-19.6

(a) No allowance has been made, on the one hand, for the fact that poultry, rabbits and certain other items are unrationed, nor, on the other hand, for the fact that the allowance for children under six is only 6d. (b) Consumption restricted to pre-war level. (c) Increase in price calculated on bacon only. (d) Unrationed. (e) Calculated on assumption that pre-war consumption has been maintained.

sumption of these three items would raise the total expenditure on the foods included in the table by only 5½d.

Subject to these qualifications, the calculation shows that, after allowing for rationing and price changes, the expenditure of working-class households on the basic foods included in the table has been reduced by nearly 20 per cent between 1937-38 and March 1, 1941, compared with a rise of 18.4 per cent in the food component of the Ministry of Labour's cost of living index! True, fish and eggs are excluded. But expenditure on both of them is now certainly lower than before the war, since the reduction in supplies since the outbreak of war has been proportionately greater than the rise in prices, as recorded in the *Ministry of Labour Gazette*. While the calculation shows that there is no relationship between the rise in the food component of the cost-of-living index, and the amount of money that can actually be spent by the average household on the basic foods on which it is based, this does not mean that its expenditure on all foods has declined by 20 per cent since 1937-38. As usual in times of scarcity, there has probably been some increase in expenditure on substitutes. But the supply of all forms of food is limited, and it is a perfectly safe conclusion that the increase in actual expenditure on food has been much less than the official index would suggest—if, indeed, there has been any increase at all. The index affords no guidance at all to the extent of the increase in expenditure; this can only be ascertained by a fresh investigation.

So far the argument has related to food alone. The indices of rent and of fuel and light may be less misleading (though the latter does not include electricity). But, in view of the reduction in the supply of textiles and other personal and household goods, it is difficult to see how the average household could have increased its aggregate expenditure on these items to the extent of the rise in their prices.

In fact, there is sufficient evidence to show that the cost-of-living index has become a purely theoretical conception. It merely records what would be the changes in the cost of purchasing a given collection of goods if the average working-class family chose to want exactly that collection (which it does not) and could get them (which it cannot). It takes no account of the decline in the quantities of goods actually available. And the increase in the average household's expenditure on the items included in the index cannot have been as big as its rise since the outbreak of war. Yet it is still invoked almost every day in justification of claims to higher wages, as though it were still possible to purchase goods in their pre-war proportions and qualities. It is surely high time for the Ministry of Labour officially to discourage the use of the index, and to put in its place an index based on the current volume and prices of the goods actually available.

Finance and Banking

Money Market Stringency

The position in the short-loan market during the past week has been painfully reminiscent of the bouts of stringency which punctuated the life of Lombard Street in more normal times. In the present-day equivalent of the term the market has, in fact, been "in the Bank" to the tune of as much as £13,000,000. It is true that there has been no direct borrowing from or rediscounting at the Bank of England at the official rates, but instead the market has had to sell substantial lines of bills to the agent of the Bank of England. These sales may be termed "open market operations," but they differ from such operations in pre-war days both by reason of their scale and because the initiative which formerly rested with the authorities now lies with the market. If the market is in difficulties with its money position it knows that it can go to Secombe, Marshall and Campion, the agents of the Bank in the discount market, and sell them bills at the market rate. The initiative in such help as has been given to the market during the past week has come from the market houses in question, and there is nothing to distinguish the help thus obtained from official rediscounting at the Bank, except that it is obtained without the penalty of discounting at Bank rate. The market, too, appears to evince the same dislike of seeking such help as it would of going direct to the Bank for accommodation. Part of this is the distaste of all "special" assistance, part of it is due to the knowledge that within the next few days the banks will again be keen buyers of bills, and that the market will have so many fewer bills to sell them.

The Bank Return

For these reasons there has been a strong undercurrent of criticism in the market of the manner in which the monetary position has been handled by the authorities during the recent spasm of stringency. That stringency has been the product of several factors—some of them rather unpredictable. In the first place, London's War Weapons Week involved the transfer of £120 millions of funds from bankers' to Government accounts. Secondly, the clearing banks have been engaged in their monthly making-up. Thirdly—a factor of which the importance has probably been under-estimated—large payments in the aggregate have been made in respect of premiums for the private chattels scheme of war damage insurance. Finally, the Government have in the normal course been accumulating resources in anticipation of the early June War Loan dividend. As, in addition, the market obtained a 38 per cent allotment of its £75 millions quota at last week's tender for bills, the demand for short loans has been well up to normal. Under these circumstances, stringency was bound to develop. The latest Bank return, however, shows that the position is being rapidly eased. By the close of Wednesday bankers' deposits had recovered by £14,321,000 to £110,904,000—a figure which is not excessive given the "window dressing" with which it synchronises. As public deposits are £7,524,000 down, it may be assumed that much of the special buying of bills this week was for account of public departments and not of the Bank of England.

Privilege Money

In the present phase of stringency all supplies of cheap outside credit have disappeared, and the market has had to pay up to 1½ per cent for its bond money as against the customary rate of ½ per cent at which it has obtained such loans from non-clearing banks. On some days, market houses have been pressed to the point of claiming their privilege money or "rights" from the clearing banks. These are long-standing facilities granted to some of the older houses in the market to draw on the banks up to comparatively modest amounts without giving notice of such drawings and without brooking the possibility of refusal by the lending banks. They are only utilised in real emergencies. The methods chosen by the authorities to ease the position, apart from the special purchases of June and July maturities, were to under-allot the Treasury bill issue by £10 millions and to abstain from all Treasury deposit borrowing this week. On these two counts, there should have been a net repayment of £20 millions of floating debt this week. But this, together with the amount distributed in respect of the net revenue deficit, was clearly inadequate to offset the various influences making for stringency in the short loan market. The position should tend to become normal again next week with the distribution of War Loan dividend. The discount market, for its part, will be little the worse off for having had, for once in a while, to bestir itself in the task of balancing its day-to-day position.

"Outside" Banks and Treasury Deposits

On a number of occasions in the past few months the total of Treasury deposits demanded from the customary rota of clearing and Scottish banks has been rather smaller than the total issued. The margin between the two figures has usually been £500,000. It has generally been assumed that the Treasury deposits thus collected from sources other than the clearing and Scottish banks have been reserved for clients of the Bank of England. The Chancellor of the Exchequer was questioned on this subject in the House this week, and though he refused to break the practice of not publishing the names of subscribers to Government loans, the indications he gave on the subject were fairly informative. He stated that the Treasury deposits scheme, while applying principally to the clearing and Scottish banks, "had also been made available to other banks operating in the sterling area which have accumulated sterling balances here." In answering a supplementary question, Sir Kingsley Wood stated that there was nothing objectionable in taking such deposits from central banks. The "outside" lenders on Treasury deposits are, therefore, central banks in the sterling area. Their participation in this form of short-term lending to the Government is probably designed to curtail the competition for Treasury bills at the weekly tender, and thus give the discount market—and through it the banks—slightly more generous allotments of bills than they would otherwise obtain.

The Currency War in China

Another Japanese move in the currency war in China has been reported this week. The Japanese authorities in the Northern Provinces and in Central China have decided to exclude the national currency, i.e., the yuan of the Chungking Government, from the financial settlement of all trade between the districts under their control. Such trade is henceforth to be expressed and settled in terms of Japanese yen, or one or other of the two puppet currencies. It is evident that this decree will not command universal acceptance. It will, of course, apply to the barter arrangements between North and Central China, and to the trade handled by the Japanese-sponsored boards and agencies in both territories. But these quarters have all along done their utmost to exclude the currency of the National Government from their transactions. It will need more than this injunction to cause the vast bulk of private commerce, even in the occupied parts of China, to be settled in any currency other than that of the Chungking Government. The exchange rate of that currency has improved from 3½d. to 3½d. since the news of the establishment of the Stabilisation Board, and of the dollar and sterling credits with which it was fortified.

War Workers and Exchange Remittances

The exchange control regulations have recently been somewhat eased to meet the case of persons normally resident in non-enemy countries outside the sterling area who come to the United Kingdom to do war work and have dependants to support in their own country. Henceforth such persons will be allowed to remit to their own country a part of the sterling income they derive from their war work. The definition of "war work" will in most cases occasion no difficulty. Most of the persons concerned are serving with the armed forces or are employed in one of the Ministries. Where the position is not so clear—for example, in the case of industrial workers—the facts of the case are to be submitted to the Bank of England, which will give its ruling. The permitted percentage of such income to be remitted will be up to 50 per cent in the case of married persons and 25 per cent in the case of single persons. It has been emphasised that these percentages apply to the sterling income earned by war work and not necessarily to the whole sterling income of the persons concerned.

Palestine Currency

Annual reports of the various Colonial and Mandatory Currency Boards appear with delays which are inexplicable even under conditions of war. The report of the Palestine Currency Board, which has just come to hand, covers the year ended March 31, 1940. Over this period the circulation in Palestine rose from £P6,574,134 to £P8,541,635. Within this growth there were, however, considerable fluctuations, and the circulation reached a record figure of nearly £P11,000,000 in September, 1938. This sudden expansion was in response to a hoarding demand for currency, which followed the declaration of war. The main counterpart of the increased circulation was to be found in larger holdings of Government securities by the Board. One may assume that during the current year, given the large reinforcements of troops in Palestine, and the increased alarms in the Eastern Mediterranean, the demand for currency—both for genuine commercial and for hoarding purposes—has again risen appreciably.

Bank of France Statutes

A number of amendments to the statutes of the Bank of France were decreed by Marshal Pétain towards the end of last year. Detailed information about them, which, in the normal course, would have been received in this country within a few hours of their promulgation, has had to await the lengthy journey of the appropriate *Journal Officiel* from Vichy to the United States and the mailing of the amendments from New York to this country. The amendments are of no great importance in themselves, but are significant in that they make for closer Government control of the Bank of France. The membership of the General Council of the Bank and its composition have both been altered. Previously the Council consisted of 26 members, the Governor, two Vice-Governors, 20 councillors and three censors. The majority of the councillors represented various economic interests in the nation (labour, employers, etc.). By the new statutes the Council has been reduced to a membership of 18, including four censors or auditors, of whom two will be nominated by the Government (formerly the three censors on the Council were elected by the shareholders). The councillors have been reduced to 11, of whom three will be appointed by the shareholders, five by the Secretary of State for Finance, and the other three will be the heads of three public financial agencies (themselves appointed to these positions by the Government). The Council, on which there will thus be a large majority of direct Government nominees, will be expected to prove a more active executive body than it was formerly. The permanent Committee of the Council, to which most of its executive functions were delegated, has been abolished and the Council is now required to meet at least once a week. The other significant feature of these amendments lies in the fact that they represent the first tampering with the Bank of France statutes made by decree of the Chief of State under the application of the "Fuehrer principle" which Vichy has copied so slavishly from its new masters.

Investment

After the Fair

Conditions during the past fortnight or more have been exceptionally unfavourable to Stock Exchange business. To the uncertainties associated with the battles of Crete and the Atlantic and the delay in Mr. Roosevelt's fire-side chat—from which so much was rightly expected—have been added the anticipation and the occurrence of the London War Weapons Week. This meant the holding back of investment by institutions and individuals. It will almost certainly prove to have also produced some anticipation of normal purchases, so that its shadow may linger for some time. These difficulties have affected turnover rather than prices; but, even so, there have been a few fairly good days, and the pressure of money, coupled with the con-

fidence of the investor, is reflected in a rise in both fixed interest and equity indices. In both sections, buying has been highly selective and moderate in amount. In the former, with the notable exception of 3 per cent Local Loans, the Funds were lower until Wednesday. There has, in fact, been a continuance of the reduction in price and yield margins within the fixed interest section, which had already been in progress for some months. This is the result of the search for higher yields which is accentuated by every rise in taxation and the cost of living. In consequence, the widely based *Financial News* index shows an improvement on the fortnight in fixed interest stocks of almost 2 per cent. Over this period, the rise in equities is less than $\frac{1}{2}$ per cent. This rise has, however, occurred in the face of the appearance of accounts, which increasingly reflect the effects of

higher taxation or restriction of supplies, or both, and despite a number of dividend reductions. When the yield figures for the period are available, it will probably be found that May has brought a further decline in a number of the equity groups. It is evident that the search for yields, with or without the prospect of early capital appreciation, has been going on quietly throughout all sections of the market, and there is evidence of this in a number of modest rises, amid the general marking down which has usually accompanied really bad news. With the intensive savings campaigns of recent weeks past their immediate peak, it is reasonable to look for some revival in business, although it is not likely to be striking until there is a period of respite from news which is at best indifferent—a relief not at present in sight. The tendency will be strengthened almost at once by the receipt of interest on $3\frac{1}{2}$ per cent War Loan, to a total of some £16,750,000 net, and by the payment for the latest group of American securities, announced on April 19th and commencing June 3rd, two days after the War Loan payment. Despite the approaching exhaustion of American securities, it can scarcely be doubted that there will be further injections of cash into the investment stream as the year progresses. While the general outlook must remain unclear, and even threatening, for some time, some of the fog which obscured the outlook for equities is gradually being blown away by the gentle breeze—it is as yet scarcely more than that—designed to rid British industry of superfluous occupations. In these circumstances, some selected equities should certainly share in any increase in business which occurs.

Company Notes

J. Lyons Dividend Maintained

The payment of a final dividend of 15 per cent on ordinary and "A" ordinary capital, making 20 per cent for the year to March 31, 1941, indicates that the management of Lyons have not abandoned the stable dividend policy. After the previous year's reduction in dividend from 22½ per cent, paid for more than a decade, to 20 per cent, despite virtual stability in net profits, at £1,011,452 against £1,011,980, the latest payment must come as an agreeable surprise to shareholders—the more so since profits, on a comparable basis, are disclosed as no more than £883,600. Consequently, the cover for equity payments is sharply reduced from £521,099 to £393,600, which, grossed up at the current standard rate of income tax, represents a rate of 22.4 against 33.0 per cent. The fall in net profits, for which, of course, war taxation is substantially responsible, is due to a variety of causes. Property losses, and the necessity of making provision out of income, have been an important factor. On the supply side, the concern has been faced not only with rationing and restriction, but, in addition, with complete inability to obtain various raw materials. These difficulties have inevitably hampered the factory, as well as the catering, side of the business. In view of all existing complications, it must remain doubtful whether the management will see its way to maintaining a 20 per cent payment throughout the war. The £1 ordinary shares, at the present price of £4 ex dividend, yield £5 per cent.

The Viscose Sale

The news that the capital of the American Viscose Corporation has been sold in New York at the rate of \$107.50 a preferred and \$24 a common share, caused considerable misgivings among shareholders in Courtaulds. The gross yield on this basis is some \$62 millions odd, giving the British Treasury a return of about £14 millions on their 90 per cent interest. This is far below even the most modest estimates of the value of the company. It appears, indeed, to be below its break-up value. According to New York reports, the excess of current assets, including stock, over current liabilities was some £11,500,000 at the end of March, while total assets exceeded £30,384,000. First quarter earnings amounted to 93 cents per common share, and a dividend of 50 cents was announced. Actually, the ordinary shares of Courtaulds have fallen only a few pence, for, on the one hand, the price has never discounted any but the most conservative valuation, while, on the other, it is upon the British Treasury's agreed valuation, and not on the dollar price they receive, that the compensation to the company is to be based. Unless the figures are completely misleading, the price obtained can only be regarded as the exploitation of a forced sale. The compensation should be based on what the investment would probably have produced over a substantial term of years. There is, however, more than a trace of suspicion that the whole affair has suffered from a desire to get results quickly rather than to drive a reasonable bargain.

INSURANCE NOTES

Phoenix Assurance.—The Phoenix, in common with the other leading composite offices, experienced a sharp fall in life new business, but notwithstanding this the premium income was slightly higher. Claims include 42 deaths from causes directly connected with the war, and these are responsible for £70,000 of the total:—

		Rise or Fall
New Business:—		
Net sums assured ...	£2,029,703	—£1,997,313 (49.6%)
Income:—		
Net premiums ...	£1,357,992	+ £14,282 (1.1%)
Net interest ...	£631,289	— £46,596 (7.4%)
Outgo:—		
Claims by death ...	£763,515	+ £50,098 (6.6%)
Claims by maturity	£593,122	+ £290,408 (48.9%)
Surrenders, including		
surrenders of bonus	£181,755	+ £18,584 (10.2%)
Commission and ex-		
penses ...	£174,939	— £13,896 (7.9%)
Commission and ex-		
penses — ratio to		
premiums ...	12.9%	1.2%

The quinquennial valuation was due at December 31st last, but the directors have thought it prudent to postpone any general declaration of bonus until after the conclusion of hostilities. In his statement to the shareholders, the chairman (Mr. R. Y. Sketch) explained that had it not been for the need for taking precautions and increasing reserves satisfactory results would be apparent. Until the subject receives further consideration, interim bonuses will be allowed at the rate of 30s. per cent. for each year's premium paid during the past quinquennium and at the rate of 20s. per cent for subsequent premiums.

Developments in departments other than life are portrayed in the table below:—

	Rise or Fall	Rise or Fall
Premiums		
Fire ...	2,928,872	+ 160,713
Accident ...	3,545,104	— 236,718
Marine ...	1,443,092	+ 534,776
	7,917,068	+ 458,771
Profits		
Fire ...	54,529	— 147,251
Accident ...	293,400	— 36,674
Marine ...	30,000	+ 30,000
	377,929	— 153,925

Larger home losses, the incidence of which is not confined to any particular trades or industries, but is general over the whole field, coupled with a less favourable experience in the United States, account for the modest proportions of the fire profit. In view of the loss of revenue from the Continent and the diminution in the number of cars on the road, the fall in accident premiums is less severe than might have been envisaged, and the profit realised in this department is excellent. A substantial rise in marine premiums is in conformity with the general trend; after releasing £30,000 the fund exhibits a position of even greater strength than last year.

Credits to profit and loss, including net interest of £323,093, aggregate £702,190. Office premises account, pensions reserve and various expense charges (including provision for war damage contributions) take £209,785 and reserve for British taxes £150,000. Interest on debenture stock costs £33,845, and the reserve for the dividend at the same rate as before absorbs £346,725. A special reserve of £200,000 has been established for contingencies in respect of transactions in enemy-occupied territories; this is a purely precautionary measure, not relating to any known liabilities, and but for it the balance carried forward, which at £1,235,511 shows a reduction of £238,165, would have been substantially unchanged. In addition to setting up this reserve the whole of the assets in enemy and enemy-occupied territories has been written off, this being the principal reason for a reduction of some £350,000 in the investment and contingencies reserve, and the directors deserve commendation for having thus made full provision for all eventualities. Taking the investment and contingencies reserve into account, assets are certified to be fully of the value stated in the balance sheet, and Stock Exchange securities stand at less than market prices; in addition to the balance of profit and loss account, there is a general reserve of £2,500,000.

Employers' Assurance.—Life business is transacted by the Employers' exclusively through the medium of the Clerical, Medical and General, and the experience in 1940 is revealed in the appended table:—

	Rise or Fall
New Business:—	
Net sums assured ...	£829,138 — £1,203,316 (59.2%)
Income:—	
Net premiums ...	£957,236 — £88,762 (8.5%)
Net interest ...	£547,867 — £20,128 (3.7%)
Outgo:—	
Claims by death ...	£583,916 + £183,124 (31.4%)
Claims by maturity	£245,197 + £7,858 (3.2%)
Surrenders, including	
surrenders of bonus	£146,960 — £30,632 (20.8%)
Commission and ex-	
penses ...	£124,232 — £16,501 (12.5%)
Commission and ex-	
penses — ratio to	
premiums ...	13.0% — 0.5%

Death claims include some £120,000 suffered in respect of war service deaths and civilian casualties. A quinquennial investigation of the assets and liabilities of the Clerical, Medical and General was made at the end of 1940, and with interest at 2½ per cent disclosed a gross surplus of £1,986,329. Some £800,800 of this is being distributed, one-tenth to the proprietors and the balance to the

policyholders, and after reserving £125,000 for war mortality and £100,000 for future intermediate bonuses £960,529 is being carried forward. War damage to properties represents less than 1 per cent of book values; Stock Exchange securities have been revalued at market prices, and, taking into account the unappropriated sums carried forward, the assets are certified to be fully of the value stated.

The fire and accident accounts, in which United States and Canadian dollars have been converted at \$5 to the £, produce the following results:—

	Rise or Fall	Under-writing Profits	Rise or Fall
Premiums			
Fire ...	417,143	+ 21,714	4,054
Accident ...	5,851,070	— 26,127	230,016
	6,268,513	— 4,413	234,070
			+ 5,725

That the company has been able virtually to maintain its premium income is doubtless largely due to its outstanding dependence on the large United States account, which provides some £4,900,000 of the accident premiums, as well as to its relatively small interests in enemy-occupied territories. To the underwriting profit of £234,070 must be added net interest of £186,123, making a total credit to profit and loss of £420,193. Provision for British taxes takes £180,000, and sundry items not otherwise charged £26,717; after maintaining the dividend at 3s. 6d. per share, absorbing £143,328, the balance carried forward is higher by £70,148 at £539,312. The market value of investments is £1,430,000 in excess of book value if taken at current rates of exchange, and if the other assets and liabilities are revalued on the same basis there is a considerable net appreciation in the assets. In addition to the balance of profit and loss account, there is a general reserve of £2,500,000.

Marine insurance is written through the Merchants Marine, and the premium income is £316,000, against £190,000; there is a profit of £4,000 on the 1939 account.

Scottish Union and National.—Life new business, at £474,341, shows a reduction of 65.2 per cent, and premiums are lower by 4.6 per cent at £795,874. The net rate of interest earned is £3 os. 11d. per cent, against £3 8s. 10d. per cent. Death claims advanced from £394,410 to £451,643, but the increase is very largely accounted for by deaths caused directly by enemy action; despite these war deaths, claims are well within expectation. The commission and expense ratio is lower by 3 per cent at 12.6 per cent, this doubtless being

(Continued on page 738)

Another Australian Conversion

It will be recalled that, at the time of the passing of the Public Works Loans Act, designed to implement the Treasury's measures for the conversion of municipal securities bearing high rates of interest, and convertible at the option of the borrower, the possibility was mooted that the similar measures might be applied to one or other of the Dominions. It now transpires that the machinery is to be used by Australia. In announcing this in the House, the Chancellor of the Exchequer stated that the operation would be limited to loans bearing interest of more than 4 per cent, and that a Vote of Credit would be granted to cover any and that a Vote of Credit would be granted to cover any stock not converted. The exact significance of the latter provision is not clear, for the Commonwealth Government has ample balances here to deal with the operation. Probably these are required for other and more important purposes, and the measure adopted represents a further development of the close collaboration between this country and the Dominions. The amount of stock affected is considerable, but by no means unmanageable. There are three issues, all maturing 1940-60, namely, rather over £18 millions of Queensland 5 per cent stock and 4½ per cent stocks of Australia and Victoria, of which, according to the latest particulars, each had rather less than £6,000,000 outstanding, a total of rather over £30 millions in all. At the moment no terms are available, and the success of the operation must depend on these. It is to be remarked, however, that the response to the offer to extend the £13,470,000 of 3 per cent stock, finally falling due on October 1st, does not appear to have met with the success which was generally expected. The extension was to £1943-44, and the amount of acceptances, £8,082,469. The wide margin may be accounted for by repayments by the Commonwealth Government prior to the announcement. It is also to be supposed—on the probable assumption that the terms will prove popular—that the operation will have no great effect on the volume of sterling balances held here, and that the possibility of repayment of stocks not yet due remains a possibility.

A Water Board Offer

Seven out of eleven of the municipalities, which are repaying a substantial proportion of the stocks now offered for conversion, have already closed their lists, having received all that they are prepared to convert. The way is thus considered open for further operations, of which an offer by the Staffordshire Potteries Water Board is the first. Notice is given to repay, on December 1st, £899,800 of

Marks and Spencer Accounts

The profits position of Marks and Spencer for the year to March 31, 1941, was fully revealed by the preliminary statement discussed in *The Economist* of May 10th. The company's balance sheet, and the statement of Mr Simon Marks circulated with the report, contribute one outstandingly important indication of the present scale of business. In the past industrial year, at the dictates of the war effort, Marks and Spencer has for the first time turned from an expanding to a—temporarily—contracting enterprise. Mr Marks points out that the impact of limitation of supplies, rationing and industrial concentration were, even last year, not felt with full force, partly since the war effort only gathered momentum after the summer, and partly because the company started the year with very substantial stocks. The balance sheet shows a fall in stocks from £2,234,044 to £1,999,681, accompanied by a rise in cash from £1,759,897 to £2,110,184. The fall is, of course, greater in volume than in value on account of rising prices and the imposition of purchase tax. Moreover, £402,600 against nil has been invested in various forms of war loan. Mr Marks points out that the company, with its widespread branch activity, is well placed to serve shifts in the population, such as the past year has seen, and to adapt the distribution of supplies. It is also true that this geographical dispersal of interests has saved Marks and Spencer from the loss of customers which has severely affected stores not organised on the "chain" principle. It is also probable that the company's policy of centralised buying and, as Mr. Marks indicates, of close association with producers has minimised supply difficulties. There can, however, be little doubt that the scale of business has contracted. The balance sheet gives trade creditors at £470,298 against £647,943, and, although sundry creditors, including tax provision and specific reserves, are substantially up from £1,566,312 to £2,334,007, it is probable that the two latter items account for most of the rise. Debtors show a real increase from £236,899 to £392,569. In one sphere, however, the company is released from the necessity of marking time, and even restricting activity, in harmony with the war effort. The interesting experiment embodied in the formation of the Marks and Spencer Export Corporation to promote exports to the United States and Canada is now being actively developed. The 5s. ordinary shares, at 31s. ex dividend, offer a yield of almost £5 13s. per cent on the 35 per cent payment.

Goodlass Wall and Lead Industries

The 1940 accounts of Goodlass Wall and Lead show a reduction in net trading profits from £267,719 to £266,425. In view of a serious contraction in demand for the company's products during the second half of the year, for which the reduction in private building is chiefly responsible, the directors consider the earnings figure to be satisfactory. With a steep rise in tax liability from £99,781 to £155,945, it is inevitable, even after halving the allocation to staff pensions at £5,000, that equity earnings should be sharply reduced. In fact, the available surplus at £36,434 is less than half that earned in 1939, and the rate of 6.05 per cent, which compares with 10.2 per cent, provides exceedingly narrow cover for the dividend, which is repeated at 6 per cent. The 1 per cent bonus paid in the four previous years is inevitably dropped, and, in order to raise the carry-forward by £295 to £79,615 no allocation is made to general reserve, against £25,000. The decline in business activity, for which severance from export markets, as well as a reduction in home demand, is responsible, is reflected in the consolidated statement by a virtual stability of creditors, including taxation at £1,001,920, and an actual decline in debtors from £825,294 to £680,632. Moreover, stocks have piled up to the extent of £441,787, bringing the total to £1,324,408. A rise in holdings of Government securities in the company's balance-sheet of some £90,000 to £244,402 is accompanied by a moderate decline in cash. The review of the year by the chairman, Mr Clive Cookson, circulated with the report, places an optimistic interpretation on results. Although rising taxation, war risks insurance, and the failure of service contracts to compensate for the decline of private building have necessarily impaired earning capacity for the present, Mr Cookson considers that adaptation has been satisfactory. Unfortunately, the Indian subsidiaries, which are newly formed, have an unfavourable standard for EPT assessment, while development of the Greenside mine has not fulfilled expectations. The 10s. ordinary shares at par ex dividend, offer the yield of £6 per cent.

Philip Hill Investments

No strict comparison is possible between total profits of Philip Hill and Partners of £190,955 for the year to March 31, 1941, and of £183,066 earned in the previous nine months. The directors point out, however, that the previous year's earnings, after deduction of directors' fees, represent an annual rate of £239,827 against a comparable figure of £186,608. The reduction is attributed largely to the virtual cessation of the company's financial business, for which the war is responsible. Before transfer of £100,000 to investment depreciation reserve, the year's earnings, at a rate of 26.4 per cent on equity capital, provide ample cover for the 10 per cent dividend. In the previous nine months, ordinary shareholders received 10 per cent actual less tax, being a rate of 13½ per cent yearly, covered by a yearly rate of 29.6 per cent. The 1940 distribution, however, involves no draft on the carry-forward, which, after receiving £19,000 refund of income tax is increased from £57,913 to £70,660. Far the most interesting aspect of the accounts is the information provided on depreciation of investments. Quoted securities, at March 31st last, stood at £2,566,267, against a nominal value of £3,510,156 and a market valuation twelve months previously of £2,948,132. With the transfer of £300,000 from general reserve, leaving the total of that fund at £700,000, and the current allocation of £100,000, investment depreciation reserve stands at £955,434. The directors state, however, that the greatest actual depreciation realised by the company's investments is in respect of real property holdings, some of which have suffered directly from enemy action, some indirectly owing to prejudice to their revenue-earning capacity. Thus, some 64 per cent of the depreciation suffered by the company's holdings is in respect of property companies and multiple-shop companies; the remaining 36 per cent relates to general investments, of which 10 per cent is represented by aircraft and engineering companies. It is clear that nothing but the conclusion of hostilities can reverse the position or guarantee a sure revival in profits. In the circumstances, it is satisfactory that the total of the company's secured overdraft is reduced from £435,258 to £335,973. The 5s. ordinary shares, at 6s. ex dividend, yield £8 6s. 8d. per cent.

Further Gold Mining Results

Development footage on *Robinson Deep* was accelerated last year, and ore reserves are now some 4½ years ahead of the mill. Part of the increase in reserves is, of course, due to automatic inclusion of low-grade tonnage, following the rise in the price of gold, and there would otherwise have been a fall of 450,000 tons. The air-cooling plants will permit stoping to be carried on to about 9,000 feet. Mining in the large Central Rand mines may later be carried on to a depth of 13,000 feet, but new deep-shaft systems will be required. Taxation relief is essential if such enterprising operations are to be undertaken, which, in the case of *Robinson Deep*, would result in the creation of a new deep-level mine with prospects

	Years to December 31st			
	Ore Reserves.	Grade.	Dividends.	
	Actual Charge, 1939	1940	1939	1940
	1,000 tons.	dwt.	s. d.	s. d.
Robinson Deep ...	7,060 + 215	4.5 4.3	5 0	4 9
Rietfontein Cons. ...	614 + 143	3.8 3.8	1 7½	1 9
Modder B ...	2,968 - 83	3.8 3.8	2 6	2 6
Durban Deep ...	6,799 + 631	4.5 4.4	2 9	3 3

of long life. In its present form, the company has reached its prime, and it will be difficult to maintain dividends at their present level. The shares now give the satisfactory yield of some 4.95 per cent. *Rietfontein Consolidated* had another very successful year and milling tonnage was again increased. Development footage in *Modderfontein B.* declined substantially and prospecting on the "black reef" has stopped. Upper leaders in the western section are becoming exhausted, although, in the eastern portion, some tonnage of the low-grade leaders may still be raised. Shaft pillars are now being extracted, and very little other ground remains to be opened up. Considerably increased development was accomplished in *Durban Roodepoort Deep*, with a payability of over 60 per cent. A vast area is available to be mined in depth with excellent prospects. The present yield is some 5.2 per cent.

London

Note: all dealings are for cash

ON Tuesday, the prospect of the delivery of President Roosevelt's fire-side chat and the announcement of the sinking of the *Bismarck* brought about a welcome revival in business. Both before the week-end and Monday, this was on a very small scale with prices distinctly easy. At the end of last week the concentration of interest on London's war weapons week continued to restrict the scale of dealings and, at the beginning of the present week, uncertain news from Crete and the loss of HMS *Hood* inspired a cautious attitude. Later in the week, most sections remained strong on the prospect of stronger support from the United States in the prosecution of the war.

Before the week-end, the gilt edged market remained quietly firm, 3½ per cent Conversion gaining ½ and Local Loans ¼. On Monday, Local Loans again improved by the same amount despite a generally falling trend. Later in the week, a moderate rally, succeeded by a further increase in business and firm prices, stimulated many rises. Two and a-half Consols improved ½ on Tuesday when Local Loans rose by ¼ to a new high level for recent years and a long list of securities were ¼ up. Among dominion and colonial issues, the three Australian issues due for conversion, rose moderately. The foreign bond market was again remarkable for the strength of Chilean issues. Japanese stocks eased considerably at the beginning of the week, falls including the 5 per cent S. Manchurian loan and the 5½ per cent City of Tokyo issue. Among Chinese stocks which realised gains on Tuesday were the 5 per cent issues of 1912 and 1913. Greek and Egyptian stocks declined on the news from Crete, and German Potash 6½ and 7 per cent bonds each lost 2½ points at the beginning of the week.

Interest in home rails was discouraged by the prospect of further pressure for wage increases and the rise in coal prices. Before the week-end, selling was mainly confined to ordinary issues, LMS ordinary losing ½ then and on the first two days of the current week, while Southern preferred dropped ¼ on the Friday and Monday. Later, the senior issues also lost favour and, on Tuesday, the only gain recorded was that of ½ point for Great Western 4 per cent debentures. Among foreign rails, Canadian Pacific reversed a loss of ½ on Monday, while the preference issue remained firm. There was little business among Argentine railways, although Central Argentine issues suffered a number of losses.

Business was not on a large scale in the industrial market. Support for breweries continued until the end of last week, Bass, Guinness and Ind Coope all gaining 1s. on the Friday. This week, buying was concentrated on certain issues in the miscellaneous group, including Associated Portland Cement, London Brick, Lever and Unilever, and Turner and Newall. Shipping shares continued to attract attention, with P. and O. deferred, Union Castle and Furness Withy leading the market, but, of these, the first suffered a reaction in mid-week. The textile group moved irregularly. Courtaulds were sold on news of the details

THE STOCK EXCHANGES

of the Viscose transaction, but later on the Coats and Patons and Baldwins realised steady gains. Heavy industrials enjoyed a wide range of small gains which included Guest Keen, Hadfields, Stewarts and Lloyds deferred and Bolsover.

Interest in *kaffirs* was rather slight and no definite trend was discernible. Sub Nigel and Grootvlei were marked down before the week-end. Losses on Monday for "Sallies" and West Wit Areas were reversed later in the week, while Marievale was higher on balance. Among copper shares, Rhokana was strong, although losses were suffered by Selection Trust and Roan Antelope. The rubber market enjoyed more business than of late, and many shares, including Malayalam, Labu and Sendayan, enjoyed fractional gains. The general trend in the oil market remained downward over the week-end, Burmah Oil losing ½ on three successive days. In mid-week, however, sentiment improved and both Anglo-Iranian and Shell Transport ordinary registered modest gains. V.O.C. was higher on the dividend announcement, and Mexican and Canadian Eagles, arresting the recent decline, rose in response to a moderate demand.

"FINANCIAL NEWS" INDICES

1941.	Approx. Total Bargains in S.E. List.	Corres. Day 1940.	Security Indices.	
			30 Ord. shares.*	20 Fixed Int.†
May 21...	2,467	3,902	69.2	129.1
" 22...	2,466	3,250	69.4	129.2
" 23...	2,296	3,303	69.4	129.2
" 26...	3,045	3,616	69.4	129.1
" 27...	2,448	2,320	69.7	129.2
" 28...	2,313	2,841	70.0	129.3

* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1941; highest, 73.7 (Jan. 17); lowest, 68.8 (Apr. 28). 20 Fixed Int., 1941; highest, 129.3 (May 28); lowest, 126.1 (Jan. 2).

New York

WALL STREET dealing was overshadowed by the imminence of President Roosevelt's fireside talk on the first two days of the week. Before the week-end, excellent business reports were more or less cancelled by the serious tone of the war news. Steel issues shared in the general stagnation and business remained virtually at a standstill until sentiment was stimulated by the announcement on Tuesday of the sinking of the *Bismarck*. In the general idleness, aircraft and copper stocks made a relatively firm showing. On Wednesday, President Roosevelt's declaration of a state of full national emergency caused the re-appearance of cautious trading pending clarification of its implications. The *Iron Age* estimates steel mill activity at 99 per cent of capacity against 100 per cent in the previous week.

STANDARD STATISTICS INDICES

(1926 = 100)

	1941		Apr. 30, 1941	May 14, 1941	May 21, 1941
	Low Apr. 30	High Jan. 15			
347 Industrials	83.6	86.0	83.6	85.6	86.3
32 Rails	82.5	82.0	26.7	26.8	26.4
40 Utilities	87.7	78.7	68.2	67.7	67.6
419 Stocks	71.9	68.1	71.9	73.1	73.5
Av. yield*	6.80%	6.13%	6.80%	6.64%	6.68%
	High (c)	Low (d)			

* 50 Common Stocks. (a) Jan. 22. (b) Jan. 8. (c) Feb. 11. (d) Feb. 18. (e) May 14.

DAILY AVERAGE 50 COMMON STOCKS

May 15	May 16	May 17	May 19	May 20	May 21
91.30	91.50	92.00	92.20	93.90	93.90

1941 High: 105.80, January 10. Low: 90.70 April 30.

New York Prices

Total share dealings: May 21, 540,000;
May 22, 400,000; May 23, 260,000;
May 24, 160,000;* May 26, 300,000;
May 27, 390,000; May 28, 340,000.

* Two-hour session.

1. Railroads.	Close May 20, 1941	Close May 21, 1941	Close May 20, 1941	Close May 21, 1941
Balt. & Ohio	34	33	Chrysler	56½
Gen. Nthn. P.	26	25½	Curt. Wr. "A"	26½
Illinois Cent.	7½	7½	Eastman KdK	124
N.Y. Cent.	12½	12½	Gen. Elec.	28½
Northern Pac.	6½	6½	Gen. Motors	38½
Pennsylvania	23½	23½	Inland Steel	69
Southern	13	12½	Int. Harv.	48½
2. Utilities, etc.			Int. Nickel	24½
Amer. Tel.	149½	150½	Liggett Myers	80½
Amer. Wkks.	4	4½	Nat. Dairy	13½
Pac. Light	33	33	Nat. Distillers	19½
Pub. Sv. N.J.	22½	22½	Nat. Steel	50½
Sth. Cal. Ed.	23½	23	Proct. Gamble	50½
United Gas	6½	7½	Sears Roebuck	70½
3. Commercial and Industrial.			Shell Union	14½
Amer. Metal	17½	18½	Std. Oil N.J.	37½
Am. Roll. Ml.	14	14½	20th Cen. Fox	5½
Am. Smelting	40	39½	U.S. Steel	53½
Anaconda	25½	25½	West. Hose, El.	89½
Briggs	19½	19	Woolworth	27½
Celanese of A.	20½	19½	Yngstn. Sheet	33½

* Two-hour session.

Capital Issues

Week ending May 31, 1941	Nominal Capital	Conversions	New Money
To the Public	Nil	£	Nil
To Shareholders	Nil	£	Nil
By S.E. Introduction	Nil	£	Nil
By Permission to Deal	69,530	£	123,236
Nat. Savings Certs.	7,375,067	£	7,375,067
5% Defence Bonds	6,531,100	£	6,531,100
2½% Nat. War Bonds	Nil	£	Nil
Ditto, 2nd Issue (w)	45,521,634	£	45,521,634
3% Savings Bonds (d)	17,851,772	£	17,851,772
† Week to May 20, 1941. Total sales, Nov. 22, 1939, to May 20, 1941, £290,110,335. † Week to May 20, 1941, making total since June 25, 1940, £444,440,301. (a) Total sales to May 20, 1941, £281,793,005. (b) Total sales to May 20, 1941, £158,394,863. (c) Total sales January 2, 1941, to May 20, 1941, £238,870,059.			

Year	Including Conversions	Excluding Conversions
1941 (New Basis)	595,379,102	576,555,806
1940 (New Basis)	779,942,315	417,987,182
1941 (Old Basis)	594,701,679	575,878,383
1940 (Old Basis)	797,723,765	404,968,632

Destination (Conversions Excluded)

Year	U.K.	Brit. Emp.	Foreign ex U.K. Countries
'41 (New Basis)	573,933,467	2,622,339	Nil
'40 (New Basis)	417,224,170	763,012	Nil
'41 (Old Basis)	573,378,383	2,500,000	Nil
'40 (Old Basis)	404,826,176	142,456	Nil

Nature of Borrowing (Conv. Excl.)

Year	Deb.	Prof.	Ord.
'41 (New Basis)	573,771,056	84,400	2,700,290
'40 (New Basis)	404,859,696	1,170,255	11,257,231
'41 (Old Basis)	573,378,383	Nil	2,500,000
'40 (Old Basis)	403,954,500	77,500	886,632

* "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

Canadian Pacific Railway.—Holders of Twenty-year Four-and-a-Half per cent Sinking Fund Secured Note Certificates have been notified that the whole of the outstanding certificates will be redeemed on June 15, 1941, at 100½ per cent, with accrued interest. About £18,473,000 of the certificates are outstanding.

Industry and Trade

Ships from America

Since June last year the losses of British, allied and neutral merchant shipping tonnage have averaged about 100,000 gross tons per week. At present this rate of loss considerably exceeds the rate of replacement from British and American shipyards. But if the following estimates of the prospective output of merchant ships in the United States, published by the *New York Journal of Commerce*, are realised, that country alone will launch ships, as fast as they are at present being lost, in the spring of next year:—

ESTIMATED OUTPUT OF MERCHANT SHIPS IN THE UNITED STATES

(In Thousands of Gross Tons)

1941, January-March	126 (a)	1941, October-December	310
" April-June	210	1942, January-March	765
" July-Sept.	270	" April-June	1,155

(a) Actual Output

In view of the achievements of American shipyards during the last war and of the technical progress made since then, there is no reason why actual launchings should fall below these estimates. Moreover, there are solid grounds for the hope that Great Britain will be able to maintain her lifeline during the present year with the existing stock of ships, and such replacements as she may be able to secure from her own and American shipyards.

Tanks

According to the latest reports from the United States the production of tanks in that country is now making rapid headway. American Car and Foundry has already completed the delivery of 329 light tanks of 12 tons, and is now working on an order for 3,089 units of the same model. The preparations for the production of medium tanks of 25 tons—the most useful type of fighting vehicle—have reached the stage when the vehicles will begin to leave the factories in growing numbers. American Locomotive holds an order for 685 25-ton tanks, valued at \$35 million. Chrysler has started on the production of 1,000 units of the same type, while Baldwin Locomotive, also engaged on the construction of medium tanks, is building heavy-weights. Technical collaboration with British engineers has assisted American producers in reaching the production stage fairly quickly, and it will not be long before the vehicles are turned out in hundreds each month. Meanwhile, the output of tanks in Great Britain appears to have shown a very satisfactory increase in recent months, which augurs well for the future.

U.S. Industrial Production

Despite many difficulties, industrial production in the United States continues to expand. Thus, the Federal

(Continued from page 734)

associated with the fall in new business. Results in the principal other departments, in which the reserves for unexpired risks are calculated on a 50 per cent basis, are set out below:—

	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall
Fire	1,049,244	+ 88,112	8,715	— 69,010
Accident	338,360	+ 28,162	35,360	— 32,492
Marine	707,696	+ 212,896	30,000	— 30,000
	2,095,210	+ 272,846	74,075	— 6,518

Including net interest of £104,755, total credits to profit and loss amount to £178,883. Dominion and foreign taxes, which are not debited to underwriting, as is customary, take £31,610 and expenses and other items not charged to underwriting £53,710. Imperial taxes absorb £99,079. The dividend, which is reduced from 5s. 6d. to 4s. 6d. on the "A" shares and from 20s. 7½d. to 16s. 10½d. on the "B" shares, requires £67,500, the balance carried forward being lower by £73,015 at £112,358. With currencies converted at the rates of exchange ruling on December 31st last, the directors are able to certify that the assets

Reserve Board's index of industrial production rose from 113 (1935-39=100) in March, 1940, to 141 in February and 143 in March, 1941. Again, according to the National Industrial Conference Board the number of persons employed in the various branches of activity in the United States increased from 45,470,000 in February, 1940, to 48,429,000 in February this year. But there were then still 7,039,000 persons without employment. Moreover, despite the expansion in the output of aircraft, ships and other military equipment, the greater part of American industry is still producing peacetime goods. The magnitude of the resources that are used in the manufacture of automobiles, for example, is enormous. According to the returns for 1939, the motor industry consumed in that year 49 per cent of the total consumption of strip steel, 44 per cent of the sheet steel, 33 per cent of the bar steel, 55 per cent of the alloy steel, 25 per cent of the nickel, 34 per cent of the lead, 10 per cent of the aluminium and 80 per cent of the rubber. The reduction in the output of motor cars to essential needs would therefore set free for the manufacture of war tools millions of tons of metals. While the industry has already decided to reduce its output of cars and vehicles by 20 per cent in 1942, further and more substantial cuts may be necessary with the expansion of the country's munition-making capacity.

Exports of Woollen Goods

Exports of woollen and worsted goods during the first quarter of the year show a sharp decline compared with the corresponding period of 1940. Since the valuable European markets had been lost in the intervening period, it is hardly surprising that the trade was almost halved. Compared with the immediately preceding quarter, however, the position was rather better, as the following table shows:—

EXPORTS OF WOOL TEXTILES (000's omitted)

	Quantity			Value		
	Jan.-Mar., 1940	Oct.-Dec., 1940	Jan.-Mar., 1941	Jan.-Mar., 1940	Oct.-Dec., 1940	Jan.-Mar., 1941
Woollen tissues	Sq. yds. 14,375	Sq. yds. 7,358	Sq. yds. 8,907	£2,482	£1,490	£1,802
Worsted tissues	12,188	5,357	6,406	2,327	1,161	1,506
	lb.	lb.	lb.			
Worsted yarn	4,130	2,137	2,114	855	593	614
Tops (combed wool)	8,349	4,929	4,278	1,217	809	721

The export of tissues is slightly higher than in the last quarter of last year, and that of yarn and tops only slightly lower. To some extent the maintenance of exports may

(Continued on page 741)

are in the aggregate fully of the value stated in the balance-sheet. In addition to a special reserve of £900,000 in the fire account, there is a contingency fund of £100,000 and a general reserve of £500,000 as well as a capital account of £400,000 and general reserve of £100,000 for the Maritime subsidiary, through which marine business is transacted.

Sun Insurance.—In keeping with other offices, the Sun shows a much reduced fire profit for 1940. Contrary to the general experience, however, it has been able to maintain its accident income, and this must be considered a remarkable performance bearing in mind not only the loss of business from the Continent, but also the lower motor revenue at home. An excellent profit is realized from the marine account:—

	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall
Fire	2,315,312	+ 28,762	102,902	— 167,831
Accident	1,940,872	+ 9,199	144,310	+ 17,019
Marine	826,839	+ 174,374	100,000	+ 50,000
	5,083,023	+ 212,335	347,212	— 100,812

Including net interest of £185,585, transfers to profit and loss aggregate £533,442.

On the debit side various charges, including £89,552 for British taxes and £100,000 for pensions, take £213,649. £250,000 is transferred to investment, exchange and contingency reserve, and after maintaining the dividend at a cost of £181,750 the balance unappropriated is £1,124,498, a reduction of £111,958. In the balance-sheet the investment, exchange and contingency fund, after the above transfer of £250,000, amounts to £239,658, against £342,013; a large part of the discrepancy of £352,355 doubtless arises from the decision to write off assets in enemy and enemy-occupied territories. The general reserve at £977,500 shows a reduction of £22,500 being the share contributed by a subsidiary in enemy-occupied territory. There is also an unexplained difference of £80,210 between the balance carried forward from the 1939 accounts and that brought into the 1940 accounts, which is presumably accounted for by the defection of a second subsidiary. Assets are certified to be fully of the value stated, and in addition to the free reserves mentioned above aggregating £2,341,656, there are additional reserves of £2,330,000 in the departmental funds.

COMPANY MEETINGS

ALLIANCE ASSURANCE COMPANY, LIMITED

SATISFACTORY RESULTS DESPITE DIFFICULTIES

The annual general court of the Alliance Assurance Company, Limited, was held on 28th instant in London.

Mr Lionel N. de Rothschild, O.B.E. (the chairman), said that the year under review had been full of complications and difficulties, but the results of the company's operations could, in the circumstances, be considered satisfactory.

In the life department the net new business completed during the year amounted to £1,226,174, as compared with £2,794,227 in 1939. This was a considerable reduction, but he could not hold out much hope of any material increase while hostilities continued. The purchase money for immediate annuities amounted to £61,086, which was about one half the purchase money received in 1939. The mortality experience was not favourable, the claims by death being £826,027. The experience in 1939 was an exceptionally favourable one at £589,794. At the close of the year the Alliance Life and Annuity Funds amounted to £22,822,735, an increase of £35,700 for the year. In view of the low net rate of interest obtainable on fresh investments, the actuary had recommended that the rates for new non-profit assurances should be revised in an upward direction. This recommendation had been accepted by the board.

DEPARTMENTAL RESULTS

In the fire department the net premiums amounted to £2,175,619, being £20,789 less than those in 1939. The home premiums had again shown an increase, but this had been more than offset by the reduction in the foreign premiums due to the cessation of business in enemy-occupied territories, and this loss of business had also affected both the accident and marine departments. The claims, including contributions to fire brigades, amounted to £874,250, being £134,202 more than in 1939. The loss ratio was £40 3s. 8d. per cent. After having made ample provision for doubtful debts an amount of £50,000 having been set aside for this purpose—for the adjustment of reserves for unexpired risks, and after the inclusion of interest (less tax) of £108,991, a balance of £351,342 had been carried to profit and loss account.

In the accident department there had been a still further reduction in the premium income, amounting to £122,095. The results in the motor section had considerably improved, the section showing an underwriting profit of £27,811. The premium income in the workmen's compensation section showed an increase, and the result of their operations had been satisfactory. The surplus in the combined accident accounts for the year amounted to £134,744, and this sum, together with interest (less tax) of £50,021, making a total of £184,765, had been transferred to profit and loss account.

In the marine department the net premiums were £951,675, an increase of £369,103 over last year's figure. This increase was largely due to premiums on war risks, increased rates on hulls, and surcharges to cargo rates. The underwriting account for 1938 had now been closed with the very satisfactory balance of £83,834, or some £49,581 higher than the 1937 account. Out of this balance £9,610 had been set aside to meet any further claims, which would maintain the reserve fund for previous years at £300,000. The resulting surplus—viz., £74,223, together with interest (less tax) on the marine fund, viz., £27,823, making a total of £102,046—had been carried to profit and loss account—a very satisfactory result.

PROFIT AND LOSS ACCOUNT

Turning to the profit and loss account, expenses not charged to other accounts disclosed a gratifying drop of more than £62,000, and they had transferred £100,000 to a reserve for contingencies and £50,000 to the staff pension fund. The balance shown was some £36,000 less than 1939. The amount required for the dividends payable in 1941 in respect of the past year would, however, cost the company about £63,000 less than last year. The balance then remaining to the credit of the account would be slightly larger than a year ago.

The report was unanimously adopted.

EQUITABLE LIFE ASSURANCE SOCIETY

PREMIUM REVENUE MAINTAINED

The 179th annual general meeting of the Equitable Life Assurance Society was held on 28th instant in London.

Mr Desmond Abel Smith (the President) referred to the death of Mr H. L. M. Tritton, who had been a director for 38 years and president from 1930 until shortly before his death.

The annual premium revenue had been well maintained; expenses had fallen considerably, and, bearing in mind restrictions in spending power and limitation of staff, new business at rather less than one-half of the pre-war figure was satisfactory. Claims by death were heavy, but relief from liabilities by deaths of annuitants was higher. £350,000 had been written off the revenue account for depreciation. The society's premises in London and elsewhere had suffered only superficial damage, and damage to property owned by or mortgaged to the Society had not been heavy.

The President then spoke of the valuation as at December 31st last saying that increased mortality during the war and considerable reductions in the rate of interest earned (the society had taken the view that it should help the Government by taking up new Government loans) and other considerations made it abundantly clear that to increase liabilities permanently by allotting bonuses would be most unwise. However, a valuation on a 2½ per cent. "net premium basis" gave a surplus of nearly £550,000 which would be carried forward and policies which become claims during 1941 would receive an interim bonus that would have been given had they become claims just before December 31, 1940. At the end of the year and of each future year until a declaration was made, the directors would consider whether the interim bonus could be increased. If the society could maintain a net rate of interest of 3½ per cent. and conditions did not affect profits, it might in three years give a quinquennial bonus of about five-sixths of the rates declared after the 1935 valuation.

The rate of interest on policy loans had been reduced to 6 per cent. gross. It had now been decided to reduce the rate to 5 per cent. gross for loans of £500 or more.

The report was unanimously adopted.

LONDON ELECTRIC WIRE COMPANY AND SMITHS LIMITED

MR. W. J. TERRY'S SPEECH

The thirty-second annual general meeting of the London Electric Wire Company and Smiths, Limited, was held, on 28th instant in London.

Mr W. J. Terry, chairman and managing director, in the course of his speech, said: The most interesting feature of the balance sheet is again the favourable balance arrived at by deducting current liabilities from current assets, amounting to £948,989, which is £68,430 higher than last year. The profit and loss account shows a reduction of £15,511 on last year's trading after providing for taxation, compulsory insurances and contingencies.

Investments show a decrease of £120,012 as compared with the total shown last year. This company's investments cover a wide range, and although the present time could not be considered as an appropriate one for realisation, the amount shown of £529,219 could be realised at present-day market quotations.

We have been fortunate in that the primary commodities in which your company is chiefly interested have been available to meet demands.

Our home sales have increased. All of your company's factories have done their utmost to meet the immediate needs of our customers, and selling prices have been maintained at a low level. Outstanding contracts and orders carried forward into 1941 are higher than at the beginning of 1940. Export sales have been necessarily reduced owing to increased home consumption and for reasons outside our control.

I am glad to report that excellent relations exist between the company and its employees.

Present working conditions could be improved by the official recognition of established trade associations for collective effort, which is just as logical as the recognition of trade unions.

The company is busy and likely to remain so, and the excellent quality of our products is being maintained.

The report and accounts were unanimously adopted.

NORWICH UNION LIFE INSURANCE SOCIETY

RECORD VALUATION SURPLUS

The 133rd annual general meeting of the Norwich Union Life Insurance Society was held on 27th inst. at Norwich.

Mr Ernest Hicks (the President) said he thought it would be agreed that a new business total of £6,791,319 reflected the greatest credit upon their representatives in this country and throughout the Dominions. This figure represented 58 per cent. of the production of their peak year of 1938.

He was sorry he had to report a considerable decrease in the rate of interest in their invested funds. The gross rate of £4 8s. 2d. per cent., a reduction of 5s. 11d. per cent. on the 1939 figures, and the net rate fell to £3 10s. 4d. per cent., showing a reduction of 7s. 9d. per cent. However, the society had for 40 years maintained its reserves on a 2½ per cent. net interest earning basis, so that even in the unprecedented conditions of to-day they had a margin of over £1 per cent. between their valuation rate and the net rate of interest actually earned on the funds.

They were fully satisfied that a conservative value had been placed upon the investments, and the Stock Exchange securities stood in the balance sheet at or below the middle market prices ruling on December 31st last. On the conservative bases he had indicated the Actuary reported a net surplus of £5,174,554 after paying £396,731 in respect of interim bonuses during the quinquennium. This was the largest surplus ever disclosed in the history of the society and policyholders might perhaps have expected that this would have justified the directors in declaring a bonus. They felt, however, that it was necessary to exercise the utmost caution in these days. In the best view, therefore, the directors would have considered it necessary to carry forward a very large sum of money, which would have necessitated a considerable reduction in their bonuses. They would provide for a valuation to be made as soon as practicable after the close of hostilities and any bonus then declared would be in respect of the period elapsed since December 31, 1935. In the meantime they were continuing to pay for the four years 1936-39 inclusive interim bonuses at the full pre-war rates.

The report was unanimously adopted.

NORWICH UNION FIRE INSURANCE SOCIETY

INCREASED PREMIUM INCOME

The annual general meeting of Norwich Union Fire Insurance Society, Limited, was held on 26th inst. at Norwich.

Mr Ernest Hicks (the Chairman) said that there was no escape from the horrors and handicaps of being at war, but members would be pleased to observe that there was an increase of £169,937 in the fire income which stood at £1,978,636. The profit, however, was a slender one of £32,627, or 1.65 per cent. This result was due to a very considerable increase in the losses in this country and to their business in the United States being unprofitable in 1940. He was glad to say that there was an improvement in both these fields in the current year.

The accident account was very satisfactory, particularly as he was able to say for the first time for a number of years that the overseas section of the business had contributed to the good results. The premium income was £1,443,547, which showed a decrease of £164,126 from the previous year. This was primarily due to the decline in motor business in this country, and to the suspension of business in enemy occupied countries. The result of the account, however, gave a profit of £179,011, being 12.4 per cent., which was the best result achieved for many years past.

The Marine premium income showed the large increase of £298,635 and now reached £632,413.

The profits from the three trading departments totalled £235,314, and the aggregate premium income of £4,054,596 showed an increase of £304,446 over 1939. The profit and loss account had also a credit of £111,567 for net interest, making a sum of £719,167 at their disposal. The carry forward was £325,995 and the total assets were £7,057,458, or £646,452 more than last year.

After paying a tribute to the executive and staffs at home and overseas, the Chairman concluded with an expression of the Board's determination to carry on the business, to support the Government to the utmost of their power in prosecuting the war, and to prepare for the happier days to come.

The report was unanimously adopted.

ASSOCIATED GAS AND WATER UNDERTAKINGS, LIMITED

ORDINARY DIVIDEND MAINTAINED

MR. W. H. BENNETT'S SPEECH

The eighth ordinary general meeting of Associated Gas and Water Undertakings, Limited, was held on the 27th instant at the registered office, 2, Chart Lane, Reigate, Surrey.

Mr W. H. Bennett, M.Inst.Gas E., chairman of the company, said: It has been the practice at our annual meetings to review not only your company's finances but the activities and development of the public utility undertakings from which it derives the greater part of its revenue.

Recently the Government, by an Order under the Defence Regulations, prohibited the publication of statements of accounts and directors' reports of gas and electricity undertakings. Despite the fact that the accounts of our subsidiaries for the year 1940 had been published before the embargo, I am sure you will agree that I should act within the spirit of the Order, which is intended to prevent information of value reaching the enemy. Consequently I propose to depart from our usual practice and simply say that the companies which form our group have experienced the anxieties and difficulties which are common to all trading concerns under war conditions.

DIFFICULTIES SURMOUNTED

How these difficulties have been satisfactorily surmounted may be judged by reference to the revenue account, to which I call your attention.

The dividends received amounted to £112,418, a reduction of £5,183 compared with the previous year. This is largely due to the inequitable operation of the "Sliding Scale" as applied to statutory gas undertakings, by which the permitted dividend is reduced as the charge for gas is increased. Increased revenue has been derived, however, from a full year's receipts from freehold properties acquired in 1939, from new ones purchased in 1940 and from increased services rendered to our subsidiaries and other companies. The result is that the gross revenue from all sources fell short of that for the year 1939-40 by only £726.

With regard to expenditure, increased taxation, discount on debenture stock and war damage insurance, coupled with larger amounts written off investments and leasehold property (now standing in our books at the nominal figure of £1), reduce the net divisible profit to £63,758, as compared with £74,574 for 1939-40.

THE DIVIDENDS

This amount is sufficient to provide for the preference dividend and a distribution of 6½ per cent. upon the ordinary shares, but having regard to present conditions your directors recommend adherence to the rate of 5 per cent., which has been paid since the inception of the company. This will absorb £55,147 and increase the sum carried forward by £8,611 to £41,162.

This sum is equal to nearly 1¼ years' ordinary dividend at the current rate, forming a useful reserve against any vicissitudes which may occur in the future.

The balance-sheet calls for little comment. The issued share capital at £2,329,799 remains unaltered, whilst investments (less amount written off but including the cost of acquiring direct control of the Langport, Huish and Curry Rivel Gas Undertaking) at £2,961,535, shows an increase of only £1,359. Cash at bankers has increased to £29,020, and as little opportunity for extension of the company's activities is likely to present itself during the war, your board has, since the close of the year, invested the greater part of this sum in new Government loans, an action which I know will meet with your approval.

OFFICERS AND STAFF

Results such as those shown in the accounts now before you could not have been achieved without the loyalty and enthusiasm not only of the officers and staff at headquarters but of the local directors, officers and all the employees of our subsidiary companies. I wish to tender our sincere thanks to them for all they have done, and are continuing to do, in the interests of this company.

The report and accounts were unanimously adopted.

BRITISH BORNEO PETROLEUM SYNDICATE, LIMITED

TOTAL DISTRIBUTION MAINTAINED

The 27th ordinary general meeting of the British-Borneo Petroleum Syndicate, Limited, was held, on 29th instant, in London.

Mr Walter MacLachlan (chairman and joint managing director) said: The revenue for the year amounted to £65,582, from which has to be deducted administration and management expenditure of £3,808, leaving a net profit for the year of £61,773. Adding of £22,544 of undistributed profit brought forward, there is a credit balance of £84,318. We recommend the payment, in respect of the year to March 31st last, of a final dividend of 5 per cent. and a bonus of 5 per cent, both less tax, making a total distribution of 15 per cent for the year. There is no need for me to stress to you the difficulties under which business has been carried on during the last year, or to refer to the effect that war conditions have had on that part of our business which is concerned with

(Continued from page 738)

have been due to the acceptance by some firms of relatively low prices in their anxiety to be in a favourable position in the concentration scheme.

India's External Trade

The war has brought about a substantial rise in India's external trade and has changed its direction very noticeably. The following table shows the principal countries of destination and origin in the last two years:—

	TRADE OF INDIA (Rs. 00,000's omitted)			
	Exports		Imports	
	1939	1940	1939	1940
United Kingdom	57.36	78.42	40.61	41.16
British Empire (ex. U.K.)	36.43	49.37	51.47	52.51
Germany	4.01	—	10.42	.12
Netherlands	2.74	.64	1.39	.91
Belgium	3.19	1.12	2.41	1.82
France	6.20	7.95	1.49	1.01
Italy	1.79	1.28	1.99	1.09
Japan	13.53	11.10	17.91	20.83
U. S. A.	20.94	26.67	11.78	24.58
Others	34.13	32.19	21.56	18.92
Total	180.32	208.74	161.03	162.95

Exports were higher by 15¼ per cent in 1940 than in 1939. The United Kingdom and the rest of the Empire respectively took 37 and 36 per cent more, France 28 per cent and the United States 27 per cent more of Indian exports. The United Kingdom's increase consisted mostly of food-stuffs, raw materials, jute and woollen manufactures and leather goods. Other Empire countries have taken increased quantities of cotton manufactures and of industrial raw materials. The United States imported larger quantities of strategic raw materials and continued to take jute and jute manufactures in considerable quantity. The fall of 18 per cent in exports to Japan was largely due to the greater use by Japan of alternative sources of supply in the Far East and in Latin America. Total imports showed only a small increase, but those from the United States more than doubled, mainly owing to increased purchases of manufactures, machine tools and chemicals. An increase of 17 per cent in imports from Japan partly represented purchases in place of European supplies which were no longer available, for example, artificial silk yarn, which used to be imported from Italy. A fall in India's total imports of grain and flour and of cotton yarn and manufactures was almost balanced by a rise in imports of oils and of raw cotton.

Dinners à la Woolton

The Ministry of Food has staged a very attractive exhibition of dishes designed to show the housewife how to make the most of her meat ration. If the show is in the

share dealings. We are therefore the more pleased to report that the revenue which we derive from our investments and royalty interests has stood up excellently to the existing conditions and has very largely contributed to the satisfactory profit for the year.

It is useful to consider the position of the company as it stands to-day in spite of all the difficulties which have been experienced. Our capital is intact, our general reserve stands at £70,000, and a substantial part of our resources is in liquid form. From the profits of the year, although taxation has absorbed £12,000, we have been able to apply over £10,000 in reduction of the book value of investments and, at the same time, maintain the dividend at the satisfactory rate of 15 per cent., and carry forward undistributed profits totalling £22,576. I think you will agree that this is a position that affords us every satisfaction.

As far as the future is concerned, it would be rash to attempt to forecast the course of events during the testing year which lies ahead, but I trust that we shall meet next year under better general conditions, and that I shall then be able to give you an equally good account of the progress and position of our company.

The report was unanimously adopted.

tradition of the school of dramatic entertainment in which the producer's work counts for overwhelmingly more than that of the author, it is Hitler and not Lord Woolton who must bear the blame. Better an attractive unsatisfying dish than an unattractive satisfying one, for an attractive appearance at least predisposes the eater to find it palatable. Two series of main meals, each covering a week, are displayed: one assumes the entire meat ration to have been spent on a joint, the other spreads it over a series of more economical cuts. Experience at British Restaurants has taught the Ministry that vegetable dishes such as Woolton Pie are not in demand unless some small amount of meat is incorporated as a flavouring. Perhaps the housewife's slowness in recognising this may have something to do with the curious fact observed by the Ministry, that with the reduction in the meat ration the consumption of vegetables has also declined. This undesirable development must be countered, as the Ministry is trying to do. The nation may have to live largely on vegetables next winter, and the sooner it learns to use them intelligently the better. It is a pity that the Ministry, in providing suggestions for those conservative people who adhere to the traditional practice of buying a large joint, does not stress the fact that the dishes they make from the reheated cold meat could be made more cheaply from the humblest cuts of fresh meat, and would be far more digestible and palatable.

Tungsten Deposit in America

In order to render the United States less dependent on distant supplies of essential non-ferrous and steel alloy metals, her Government has sponsored a thorough-going survey of domestic mineral deposits. The survey, carried out by the United States Bureau of Mines and by the United States Geological Survey, has so far been confined to antimony, tungsten, chromium, manganese, mercury, nickel and tin. While no details have been published concerning the progress of the survey, the Bureau of Mines recently announced the discovery of a high-grade tungsten-antimony deposit in the Yellow Pine District, Valley County, Idaho. While the magnitude of the deposit has yet to be ascertained, the indications are that it is of considerable importance. Since shipments of tungsten from China, the world's largest producing country, have recently tended to decline and might even be temporarily interrupted, the significance of the discovery of a high-grade deposit in the United States needs no emphasis. In 1939, the last year for which official statistics are available, the United States produced 3,603 short tons of tungsten ore from widely scattered and small mines in Arizona, California, Colorado, Idaho, Montana, Nevada, Utah and Washington. In the same year, 1,372 short tons were imported, and one-half of these imports were added to stocks. Since 1939, however, the consumption has risen by some 50 per cent. Apart from the search for domestic tungsten deposits, the United States Bureau of Mines is also carrying out a survey in Bolivia and Peru. Since the search in these two countries has apparently not been in vain, the United States may soon be able to reduce her dependence on supplies from other continents.

(Continued on page 746)

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended May 24, 1941, total ordinary revenue was £18,555,000, against ordinary expenditure of £73,880,000, and issues to sinking funds of £35,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £430,996,000 against £236,763,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1 to May 24 1940	April 1 to May 24 1941	Week ended May 25 1940	Week ended May 24 1941
ORDINARY REVENUE				
Income Tax	20,900	50,136	808	6,112
Sur-tax	5,690	5,745	340	240
Estate, etc., Duties	12,840	15,615	1,960	890
Stamps	1,640	1,640	440	700
N.D.C.	2,410	2,291	240	265
E.P.T.	390	21,692	120	2,070
Other Inland Revenue	80	95	10	45
Total Inland Revenue	43,359	97,214	3,958	10,322
Customs	42,577	49,685	7,614	5,458
Excise	23,600	24,600	600	2,600
Total Customs and Excise	66,177	74,285	8,214	8,058
Motor Duties	5,154	4,222	...	...
P.O. (Net Receipt)	4,900	3,750	Dr 300	150
Crown Lands	240	170	80	...
Receipts from Sundry Loans	268	711	...	...
Miscellaneous Receipts	3,420	1,188	180	25
Total Ord. Revenue	123,516	181,540	12,132	18,555
SELF-BALANCING Post Office and Broadcasting	9,950	11,750	1,950	1,900
Total	133,466	193,290	14,082	20,455
Issues out of the Exchequer to meet payments (£ thousands)				
Expenditure	April 1 to May 24 1940	April 1 to May 24 1941	Week ended May 25 1940	Week ended May 24 1941
ORDINARY EXPENDITURE				
Int. & Man. of National Debt	41,650	49,430	775	784
Payments to N. Ireland	888	929	296	331
Other Cons. Fund Serv.	347	350	...	65
Total	42,885	50,709	1,071	1,180
Supply Services	316,564	561,066	41,853	72,700
Total Ord. Expenditure	359,449	611,775	42,924	73,880
SELF-BALANCING Post Office and Broadcasting	9,950	11,750	1,950	1,900
Total	369,399	623,525	44,874	75,780

After increasing Exchequer balances by £392,195, to £3,111,095, the other operations for the week (no longer shown separately) raised the gross National Debt by £56,013,350 to about £11,840 millions.

NET ISSUES

(£ thousands)

P.O. and Telegraph	200
Anglo-Turkish Armaments	60
Overseas Trade Guarantees	261

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1941, to May 24, 1941, are:—

	£ thousands	
	Ord.	Revenue
Ordinary Exp.	611,775	181,540
Misc. issues (net)	2,584	434,064
Inc. in balances	484	761
Less—Sinking fds.	—	433,303
Net borrowing	614,843	614,843

FLOATING DEBT

(£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1940						
May 25 1941	700.0	746.5	49.4	...	...	1495.9
Feb. 15 1941	845.0	...	Not available	...	...	...
Mar. 22 1941	845.0	1369.4	165.5	Not available	355.0	2734.9
Mar. 1 1941	845.0	...	Not available	...	...	...
Mar. 15 1941	845.0	...	...	...	...	...
Mar. 22 1941	845.0	...	...	...	...	...
Mar. 31 1941	221.6	172.3	...	...	429.5	2813.4
April 5 1941	845.0	...	Not available	...	...	...
Apr. 12 1941	850.0	...	...	...	...	...
Apr. 19 1941	855.0	...	...	...	...	...
May 3 1941	875.0	1370.4	163.5	8.0	502.5	2900.4
May 10 1941	885.0	...	Not available	...	...	...
May 17 1941	895.0	...	...	...	...	...
May 24 1941	905.0	...	...	...	...	...

TREASURY BILLS

(£ millions)

Date of Tender	Amount			Average Rate	Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted		
1940					
May 24 1941	65.0	117.7	65.0	20	4.81
Feb. 7 1941	65.0	149.4	65.0	20	3.39
Mar. 14 1941	65.0	142.7	65.0	20	4.23
Mar. 21 1941	65.0	139.1	65.0	20	4.43
Mar. 28 1941	65.0	160.5	65.0	20	3.43
Mar. 7 1941	65.0	151.2	65.0	20	4.15
Mar. 14 1941	65.0	153.8	65.0	19	11.79
Mar. 21 1941	65.0	131.6	65.0	20	2.95
Mar. 28 1941	65.0	164.7	65.0	20	2.27
Apr. 4 1941	70.0	148.3	65.0	20	2.46
Apr. 11 1941	70.0	156.6	70.0	20	2.41
Apr. 18 1941	75.0	161.8	75.0	20	2.72
Apr. 25 1941	75.0	168.9	75.0	20	2.65
May 2 1941	75.0	170.4	75.0	20	3.16
May 9 1941	75.0	160.5	75.0	20	0.17
May 16 1941	75.0	154.7	75.0	20	0.18
May 23 1941	75.0	141.8	65.0	20	0.59

On May 23rd applications at £99 14s. 11d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 44 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. 0d. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury bills are being offered on May 30th. For the week ending May 31st the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

(£ thousands)

Week ended	N.S.C.		3% Def. Bonds		2½% Bonds		New 2½% Bonds		3% Sav. Bonds	
	May 25 1940	May 24 1941	May 25 1940	May 24 1941	May 25 1940	May 24 1941	May 25 1940	May 24 1941	May 25 1940	May 24 1941
Apr. 15	2,567	2,803	Nil	4,248	4,800	4,800	...	...	...	...
May 6	5,204	4,375	Nil	6,862	5,873	5,873	...	...	...	...
May 13	5,370	4,497	Nil	7,822	20,279	20,279	...	...	...	...
May 20	7,375	5,531	Nil	6,669	6,672	6,672	...	...	...	...
May 27	...	...	Nil	45,522	17,852	17,852	...	...	...	...
Totals	290,116	281,793	444,440	286,061	178,259	178,259	...	...	...	...

* 78 weeks. † 49 weeks. ‡ 21 weeks.

Interest free loans received by the Treasury up to May 27th amounted to a total value of £33,856,343. Up to April 26th, principal of Savings Certificates to the amount of £33,972,000 had been repaid.

BANK OF ENGLAND RETURNS

MAY 28, 1941

ISSUE DEPARTMENT

	£	
	Notes Issued	Govt. Debt
In Circulation	629,515,253	11,015,100
In Banking	50,726,322	666,486,500
Dept.	...	2,488,991
	614,843	614,843

680,241,575 680,241,575

BANKING DEPARTMENT

	£	
	Props. Capital	Govt. Secs.
Rest.	14,553,000	125,202,838
Public Depts.	3,213,618	11,438,374
Other Depts.	110,904,447	35,590,627
Other Accts.	52,119,537	50,726,322
	163,023,984	1,603,987
	213,123,774	213,123,774

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

THE WEEK'S CHANGES

(£ thousands)

Both Departments	Amt. May 28, 1941		Compared with	
	Last Week	Last Year		
COMBINED LIABILITIES				
Note circulation	629,515	198	72,651	
Deposits: Public	32,333	7,525	3,782	
Bankers	110,904	14,321	15,995	
Others	52,120	428	1,637	
Total outside liabilities	824,872	7,026	86,502	
Capital and rest	17,767	17	21	
COMBINED ASSETS				
Govt. debt & securities	802,704	3,860	77,599	
Discounts and advances	11,438	1,131	8,556	
Other securities	26,641	4,351	627	
Silver coin in issue dept.	9	2	504	
Coin and gold bullion	1,846	40	202	
RESERVES				
Res. of notes and coin in banking dept.	52,330	157	27,549	
"Proportion" (reserve to outside liabilities in banking dept.)	26.7%	1.0%	13.1%	

COMPARATIVE ANALYSIS

(£ millions)

	1940				1941			
	May 29	May 14	May 21	May 28	May 29	May 14	May 21	May 28
Issue Dept.								
Notes in circulation	556.9	629.4	629.7	629.5	...	...	...	...
Notes in banking department	23.4	50.8	50.5	50.7	...	...	...	...
Government debt	576.2	677.2	677.3	677.5	...	...	...	...
Other securities	3.3	2.8	2.7	2.5	...	...	...	...
Silver coin	0.5	0.0	0.0	0.1	...	...	...	...
Gold, valued at s. per fine oz.	0.2	0.2	0.2	0.2	...	...	...	...
Deposits:								
Public	36.1	14.4	39.9	32.3	...	...	...	...
Bankers	94.9	115.5	96.6	110.9	...	...	...	...
Others	50.5	52.1	51.7	52.1	...	...	...	...
Total	181.5	182.0	188.2	195.3	...	...	...	...
Banking Dept. Secs.								
Government	148.9	115.3	121.6	125.2	...	...	...	...
Discounts, etc.	2.9	12.2	12.6	11.4	...	...	...	...
Other	22.7	19.8	19.6	24.2	...	...	...	...
Total	174.5	147.3	153.8	160.8	...	...	...	...
Banking dept. res.	24.8	52.5	52.2	52.3	...	...	...	...
"Proportion"	13.6	23.8	27.7	26.7	...	...	...	...

* Government debt is £11,015,100; capital, £14,553,000. † Fiduciary issue raised from £630 millions to £680 millions on April 30, 1941.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Finland appeared in "The Economist" of Dec. 9th, 1939; Norway, of Apr. 13th, 1940; Denmark, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Switzerland, of June 15th; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Melite Iran, of Nov. 23rd; Lithuania, of Nov. 30th; Reichsbank, of Feb. 15th; Roumania, of Feb. 22nd; Portugal, of Mar. 8th; Greece, of Mar. 22nd; Yugoslavia, of Apr. 26th; U.S. Federal Reserve Member Banks, of May 3rd; Egypt, Japan and New Zealand, of May 10th; Hungary, of May 17th; Australia, South Africa, India and Argentina, of May 24th.

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

ASSETS	Mar. 31, 1940				Mar. 31, 1941			
	1940	1941	1941	1941	1941	1941	1941	1941
Gold in bars	30.6	41.1	40.1	40.1	...	...	...	...
Cash	34.8	45.3	48.6	41.0	...	...	...	...
Sight funds	16.3	15.2	15.1	16.2	...	...	...	...
Commercial bills	93.5	113.5	108.5	111.6	...	...	...	...
Treasury bills	68.4	29.2	33.6	29.6	...	...	...	...
Time funds at interest	17.4	23.8	22.4	21.5	...	...	...	...
Sundry bills & invests.	206.6	235.2	236.8	233.4	...	...	...	...
LIABILITIES								
Deposits: Annuity	153.1	152.7	152.7	152.6	...	...	...	...
German	76.5	76.3	76.3	76.3	...	...	...	...
Central Banks	33.6	43.6	45.5	33.9	...	...	...	...
Other	1.2	1.5	1.5	1.2	...	...	...	...
Gold	12.9	33.9	35.6	35.6	...	...	...	...

AUSTRALIAN COMMONWEALTH BANK.—Million £'s

	Apr. 8, 1940	Mar. 24, 1941	Mar. 31, 1941	Apr. 7, 1941
ASSETS				
Gold and English ster.	16.08	17.71	17.71	17.71
Other coin, bullion, etc.	5.61	6.46	5.36	6.06
Call money, London, etc.	40.44	60.69	55.57	56.24
Secrts. and Treas. bills	84.60	88.38	92.59	44.13
Discounts and advances	35.48	22.21	23.36	22.22
LIABILITIES				
Notes issued	53.28	62.87	63.12	64.12
Deposits, etc.	109.98	120.48	119.06	117.44

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Depreciation, etc.	Net Profit after Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Financial, Land, etc.													
Howard & Bullock Secs.	Mar. 31	36,463	4,000	31,063	34,876	7,688	25,000	4	—	725	42,428	41,923	7
Natal Land, &c.	Dec. 31	62,120	—	17,956	36,320	3,962	13,613	4	—	381	63,538	28,390	11
National Star Brick Hldgs.	Dec. 31	3,969	6,181	Dr. 3,690	Dr. 3,690	—	—	—	—	3,690	Dr. 24,139	Dr. 10,782	—
Oils Discount	Dec. 31	23,103	—	9,732	19,784	7,000	5,000	5	Dr. 4,000	—	31,004	14,504	7
Iron, Coal & Steel													
Babcock & Wilcox	Dec. 31	885,029	—	492,347	593,197	14,954	472,961	11	—	4,432	992,424	481,663	11
Ransomes, Sims & Jefferies	Dec. 31	132,892	—	85,142	139,222	11,000	37,500	7½	35,000	1,642	110,736	75,436	7½
Wilson's & Clyde Coal	Feb. 28	70,948	25,000	21,936	59,404	1,836	20,208	6	—	108	70,023	30,336	6
Rubber													
Amherst (Selangor)	Dec. 31	22,286	—	11,690	23,587	—	10,664	10	—	1,026	12,580	6,971	5
Bekoh Consolidated	Dec. 31	65,609	963	15,923	21,790	—	14,982	10	—	941	59,939	8,643	13
Hanwell	Dec. 31	9,372	—	3,212	6,484	—	8,097	15	—	—	7,141	2,768	7
Labis Bahr	Dec. 31	28,183	884	2,968	4,047	—	3,600	6	—	—	15,440	5,489	7
Lower Perak	Dec. 31	19,739	163	2,630	8,229	—	2,650	6	—	—	12,106	2,661	5
Marudis Consolidated	Dec. 31	11,115	180	1,424	2,059	—	741	5	—	158	6,343	1,502	6
Mengkibol (C. Johore)	Dec. 31	23,523	703	15,211	20,457	—	14,582	10	—	39	14,383	10,106	4
Rubber Estates of Krian	Dec. 31	17,910	419	8,887	17,427	—	9,000	7½	—	113	7,807	4,995	4
Selangor River	Dec. 31	31,863	—	16,537	17,601	—	10,500	5½	—	37	19,762	11,581	7½
Shelford	Dec. 31	15,990	203	11,772	14,944	—	4,420	12	2,000	—	8,154	6,089	2½
Sonosekar Planting	Dec. 31	13,381	1,147	3,887	12,872	—	7,050	12½	—	499	16,522	6,470	9
Strathmore	Dec. 31	30,339	3,452	7,549	13,138	—	—	—	—	—	—	—	—
Shops & Stores													
Marks & Spencer	Mar. 31	3,071,174	456,574	866,425	1,191,514	105,000	739,984	35	—	21,441	3,047,030	1,139,979	38½
Textiles													
Fine Cotton Spinners	Mar. 31	673,861	120,000	(b) 339,742	446,099	(a) 67,500	—	—	200,000	72,242	614,761	380,264	10
Hield Brothers	Mar. 31	106,179	—	40,500	11,206	—	13,750	12½	—	15,544	112,379	61,070	10
Porritt & Spencer	Mar. 31	78,051	16,336	61,414	88,537	11,582	47,649	12½	—	2,183	107,482	89,379	10
Trusts													
Consolidated Trust	April 15	80,836	—	40,685	40,685	23,275	16,447	8	963	—	78,515	39,860	8
London & Holyrood	Mar. 31	118,014	—	38,711	89,080	26,625	6,200	2	—	5,886	127,517	47,608	8
London & Provincial	Mar. 31	75,009	—	22,582	69,067	9,352	8,170	4½	—	5,060	27,092	27,092	4½
Second Guardian	May 5	47,026	—	21,755	36,959	13,021	8,000	3	—	734	56,629	27,705	7
Second Mercantile	May 5	56,408	—	35,131	95,168	12,917	17,135	6½	5,000	79	69,932	46,089	7
Other Companies													
Amalgamated Metal	Mar. 31	325,323	—	321,187	353,202	54,000	266,148	6	—	1,039	367,915	365,393	7
Caleutta Electric	Dec. 31	1,135,843	369,618	396,182	446,080	122,581	198,924	7	75,000	323	1,033,387	340,029	8
Cellon, Limited	Dec. 31	154,647	—	21,446	20,602	3,105	8,600	20	—	2,241	137,276	27,524	5
Cooper, McDougall, &c.	Sept. 30	37,215	—	112,299	156,313	52,323	41,220	5	10,000	—	137,276	105,404	10
G.R.A. (Manchester)	Dec. 31	68,887	—	52,117	34,763	—	—	—	—	1,892	68,505	39,745	17½
Glenfield & Kennedy	Dec. 31	266,425	—	104,845	184,086	8,343	42,148	20	—	1,628	70,549	55,246	7
Goodlass Wall, &c.	Dec. 31	161,800	—	161,800	414,816	68,410	30,140	6	—	295	267,719	167,438	25½
Goodyear Tyre, &c.	Mar. 31	170,415	—	Dr. 73,270	153,149	120,000	10,000	15	Dr. 75,000	1,730	487,945	218,064	25½
Imperial Continental Gas	Dec. 31	141,022	—	141,022	269,922	—	155,000	25½	—	13,078	197,962	152,541	15
Knights (John)	Mar. 31	103,406	—	63,900	96,958	184,291	30,000	7½	5,000	5,638	107,541	112,477	11½
Laporte (B.)	Dec. 31	98,038	—	117,114	151,570	13,000	84,375	11½	20,000	—	112,477	112,477	11½
London Electric Wire	Dec. 31	416,586	73,917	2,898	3,420	—	27,733	5	—	261	414,331	122,991	5½
Maidstone Motor Services	Dec. 31	67,104	—	12,762	26,419	2,030	9,579	(c)	—	1,353	52,772	22,472	(c)
Maritime Oilfields	Dec. 31	34,866	—	5,648	12,698	3,770	3	—	—	678	33,504	7,052	20
New Brunswick Gas, &c.	Dec. 31	44,236	11,109	32,647	44,583	13,000	10,000	20	10,000	1,500	43,310	34,537	17½
Newman Industries	Dec. 31	24,276	3,173	35,256	39,480	—	26,250	17½	7,500	1,500	17,339	8,252	7
Ragusa Asphalt	Dec. 31	248,058	2,500	63,519	121,040	—	63,254	32½	2,000	265	248,055	98,060	32½
Selangor Oil Palm	Dec. 31	—	—	—	—	—	—	—	—	—	—	—	—
Smith's Potato Crisps	Mar. 31	—	—	—	—	—	—	—	—	—	—	—	—
Totals (£'000's)	No. of Cos.	48	9,803	1,097	3,320	739	2,699	—	309	+ 182	9,331	4,763	—
Week to May 31, 1941	48	158,597	10,701	82,360	125,245	10,797	54,700	—	7,342	+ 3,321	152,244	90,931	—
Jan. 1 to May 31, 1941	48	158,597	10,701	82,360	125,245	10,797	54,700	—	7,342	+ 3,321	152,244	90,931	—

† Free of Income Tax. (a) In respect of year to March 31, 1933, on 5 per cent. Preference Stock. (b) Excludes £100,000 Provision for War Damage Insurance. (c) 12 and 23½ per cent.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash. Previous year's rate is total dividend unless marked* indicating interim dividend.

Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
INSURANCE					Woodend Rubber	4†	5	June 18	5	Hill (Philip) & Partners	5†	10	—	10
Gresham Fire, etc.	—	6	—	6	Yataderia Rubber	3†	5	—	5	Horne Brothers	—	25	—	25
MINING										Houlder Brothers & Co.	—	25	—	25
Hodbarrow Mining	24†	5	—	4						Howard and Bullock	—	4	—	4
Renong Tin	5*	—	—	7½						Imperial Cold Storage	—	10	—	10
Tekka	6d. ps.	—	—	May 31 6d. ps.						Java Investment	4*	6	June 14	6
RAILWAYS					INDUSTRIALS					Jury Holloway	—	10	—	20
Nitrate Railways	—	11	—	11	Amalg. Dental Pref.	4*	—	June 30	4*	Lyons (J.) & Co.	15†	20	—	9.6d.
TEA AND RUBBER					Argentine Navigation	—	6	—	7	Macowards	—	—	—	6
Bukit Panjong Rubber	4†	6½	—	4½	Army and Navy Invest.	3*	4½	—	Nil	Mount Stuart Dry	—	6	June 12	6
Dimbula Valley Tea	5†	7½	—	7½	Associated Newspapers	9†	12	—	8	Olive and Partington	4*	—	—	4
Grand Central Rubber	6	—	—	5	Barrow Hematite	9†	12	—	8	Reserves Securities	3†	5	—	14.6d.
Honrietta Rubber	7†	12	—	10	Bentley's Yorkshire	—	5	—	5	Rothmans	—	27.08	—	3
Hunaseria Tea	—	5	—	5	Breweries	4*	—	—	4*	S. American Stores	3*	—	—	20
Johore River Rubber	—	7½	—	2½	Bombay Gas	4†	8	—	4*	Samnagar Jute	—	10	—	10
Kuala Belat Rubber	—	4	—	4	Brit. Shareholders TST	31†	5½	—	8	Southdown Motor	—	5	—	5
London Asiatic Rubber	6†	10	—	10	Butler's Wharf	—	10	—	5½	Tarran Industries	3*	—	—	8
Mengkibol Rubber	5†	10	June 4	6	Cochran & Co.	21*	—	—	21*	Taylor Walker & Co.	2†	6	June 12	10
Mendari Rubber	—	4	—	4	Cons. Water (Rosario)	121*	—	—	121*	Titaghar Jute	—	10	—	Nil
Nordanal Rubber	7†	9	—	9	Copestake Crampston	—	3	—	3	Union-Castle	—	5	—	16d.
Ouvah Ceylon Tea	7†	9	—	9	Crompton Parkinson	71*	—	—	71*	Venezuelan Oil, Ord.	1/7 ps.†	16½	—	10
Parambe Rubber	5†	7½	June 18	5	East Indian Trams	—	3	—	3	and Pref.	—	10	—	15
Ragalla Tea	8†	11	—	11	Fremlin's	—	2½	—	2½	Victoria Jute	—	10	—	—
Rani Travancore	—	6	—	6	Galloway (John)	—	6	—	6	West and Moultons	7†	12½	—	—
Spring Valley Tea	5†	7	—	8	Goodlass Wall, etc.	—	6	—	6					
Sungei Engun Rubber	—	4	—	Nil	Griffiths Hughes	—	7	—	7					
Teluk Piah Rubber	—	7½	—	4	Harris and Sheldon	24*	—	—	24*					

† Free of Income Tax. 89 months.

OVERSEA WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1941	+ or —	1941	+ or —
B.A. and Pacific	48	May 17	\$1,545,000	+ 215,000	65,880,000	+ 1,489,000
B.A. & Southern	46	" 17	2,304,000	+ 409,000	102,516,000	+ 6,373,000
B.A. & Western	46	" 17	900,000	+ 223,000	95,993,000	+ 508,000
Canadian Pacific	20	" 17	8,371,000	+ 1,480,000	74,780,000	+ 17,860,000
Central Argentine	46	" 17	12,141.150	+ 354,950	75,031,850	+ 6,063,900

COMMODITY AND INDUSTRY NEWS

THE sharp drop in tin and rubber prices is reflected in *The Economist* Sensitive Price Index (1935 = 100). On Wednesday the figure for raw materials was 170.4, compared with 172.6 a week earlier and 173.4 a month earlier. The tin market is discussed below. Rubber closed on Wednesday at 13½d. per lb. for smoked sheet spot, compared with 14d. a week earlier.

Fall in Tin Prices.—The tin market has been dull and prices have fallen sharply. Standard cash closed on Wednesday at £261 10s.-£262 per ton, compared with £266 10s.-£266 15s. a week earlier and £269 5s.-£269 10s. four weeks earlier. Another feature of the market this week was that forward tin quoted on some days was at a higher rate than cash. Three months' tin closed on Wednesday at £263 17s. 6d.-£264 per ton; it was £266 5s.-£266 10s. a week earlier and £266 15s.-£267 four weeks earlier. The fall in cash prices appears to be due to the ban on exports.

Tea Quota Raised.—Last February the International Tea Committee lowered the export quota for the year ending March 31, 1942, from 92½ per cent to 90 per cent in view of the reduction in purchases by the British Government. It now appears that, following a desire to accumulate reserve stocks in markets outside this country, demand and prices have risen. To meet this new situation the International Tea Committee has decided to raise the quota for the current period to 95 per cent.

Voluntary Cotton Concentration.—The Board of Trade is giving encouragement to the submission of voluntary schemes for concentration in the cotton industry by promising that firms taking part will be exempt from making payments to any general compensation pool that may be formed. They will not, on the other hand, be entitled to draw from any such fund. A further condition is that any voluntary scheme must entail the same degree of concentration as that of other firms which are dealt with compulsorily.

Cotton.—The improvement in business noted last week has continued, and freer negotiations have taken place between

shippers of piece goods and manufacturers. Buyers have sought nucleus weaving concerns in order to be assured of deliveries. Some very fair lines have been put through in a variety of goods for South Africa and steady buying has taken place for the Dutch East Indies and the Argentine, while fine fancy materials have been wanted for Canada and the United States. Government buying recently has not been heavy, but inquiry has broadened and some fairly substantial orders have been placed in heavy materials and in cloths for proofing. The Controller has released a further 5,870 bales of Government barter cotton: 3,970 bales for Liverpool merchants and 1,900 bales for Manchester merchants. Trade in yarns has been irregular and chiefly in coarse American counts. Cloth prices have risen, 36 in. shirtings, 75 yards 19 x 19, 32's and 40's, rising from 38s. to 39s.

Wool Clip Requisitioned.—The Minister of Supply is once again to requisition the British wool clip. The Control of Wool (No. 17) Order, 1941, prohibiting the disposal of the 1941 clip except to the Minister, came into force on May 24th. The Order provides as well for the making of necessary returns, and for the issue of directions about transport, storage and disposal. The Order does not apply to wool clips in the Orkney Islands, the Shetland Islands and the Outer Hebrides. Wool from these islands, however, may not be brought to the mainland except by licence granted by the Minister of Supply, under an Order which came into force on April 26th. A schedule of authorised prices, settled in consultation with the Agricultural Departments, which has been issued with the Order shows advances in last year's prices in all cases. The Government is prepared, should it prove necessary in the light of the experience of the current season, to continue the special measures of assistance to hill sheep farmers which were adopted last winter.

Hosiery Quota.—The quota percentage for Class 3 goods under the Limitation of Supplies (Miscellaneous) Order has been increased by 10 per cent to

60 per cent for the next restriction period, from June 1st to November 30th. Class 3 comprises hose and other knitted apparel. Previous changes were announced on April 7th.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	May 10, 1941	May 17, 1941	May 18, 1940	May 17, 1941
Argentina	...	...	2,507	38
Atlantic America	...	...	139	1
Danube Region	...	...	251	...
S. & E. Africa	...	...	839	...
Indo-China, etc.	...	...	74	...

Source: *The Corn Trade News*.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	May 10, 1941	May 17, 1941	May 18, 1940	May 17, 1941
N. America	1,078	1,199	21,480	21,173
Argentina, Uruguay	466	332	17,393	8,608
Australia	...	...	4,540†	...
Russia	...	...	114	429
Danube and district	...	...	5,948	182
Other countries	...	...	345	...

* Unobtainable. † Incomplete.

Source: *The Corn Trade News*.

"THE ECONOMIST" SENSITIVE PRICE INDEX 1935 = 100

	May 22, 1941	May 23, 1941	May 26, 1941	May 27, 1941	May 29, 1941
Crops	108.5	108.5	108.5	108.5	108.5
Raw materials	172.2	172.2	171.0	170.5	170.4
Complete Index	136.7	136.8	136.5	136.0	136.0

	Mar. 31, 1937	Aug. 31, 1937	May 28, 1940	Apr. 28, 1941	May 21, 1941
Crops	147.9†	92.3	106.5	108.5	108.5
Raw materials	207.3	122.0	166.5	173.4	172.6
Complete Index	175.1	106.4	133.1	137.1	136.8

* Highest level reached during 1932-37 recovery.

THE ECONOMIST

Vol. CXL

JUNE 14, 1941

No. 5103

CONTENTS

LEADING ARTICLES

	PAGE
Campaign in Syria	781
Behind the Battle	782
United States of Europe	783

NOTES OF THE WEEK

	PAGE
The Weygand Mystery	785
Before the Storm	785
First Things First	785
The New POGA	786
The Post-War Ration	786
Thinning the Herd	786
Self-Sufficiency on Farms	786
American Defence Measures	787
Strikes or Sabotage?	787
Australian Misgivings	787
A Ministry of Fuel?	788
Concessions to Coal Miners	788
Rationing Pitfalls	788
Egyptian Unity	788
Home Security or Civil Defence	788
Thwarting the Land Speculators	789
Batavian Trade Talks	789
War-Time Nurseries	789
Italy's First Year	789
Rehousing in the Provinces	789
News from the Foreign Office	790
A New Liberalism?	790
Money for Health	790
Shorter Notes	790

THE WORLD OVERSEAS

	PAGE
War Approaches Palestine	791
Between Two Wars (Shanghai)	791
Ireland's Industry—Now and Post-War	792
Egypt and the Red Sea Route	793
Belgium To-day	793
German Europe	794

THE BUSINESS WORLD

LEADING ARTICLES

	PAGE
Outlook for Equities	795
American Banks and Defence	796

FINANCE AND BANKING

	PAGE
Half-Year End Prospects	797
India's Sterling Assets	797
Anglo-International Bank's Capital	797
Argentine Exchange Control	797

INVESTMENT

	PAGE
Equities and the Price Level	798
Canadian Taxation	798
Rubber and EPT	798

COMPANY NOTES

	PAGE
Union Castle Earnings	798
Cable and Wireless Dividend	799
Press Profits	799
Rubber Trust	799
J. Lyons Accounts	800
ICI Taxation	800
VOC Serback	800
THE STOCK EXCHANGES	800
CAPITAL ISSUES	801
SHORTER COMMENTS	811

INDUSTRY AND TRADE

	PAGE
The Cement Report	801
Clothes Ration Concessions	801
The German Wardrobe	802
Essential Work Order for Building	802
Standard Doors	802
Coastal Shipping	803
Farm Wages	803
American Rubber Supplies	803
COMMODITY AND INDUSTRY NEWS	803
COMPANY MEETINGS	804
CURRENT STATISTICS	810

Campaign in Syria

THE decision to occupy Syria was clearly the only decision possible. In spite of belated and rather half-hearted French denials, it became daily more likely that Germany would shortly have effective control of the French Mandate. The menace a Nazi-occupied Syria would offer to the whole of Britain's Near Eastern position is obvious enough. It would be difficult, if not impossible, to hold either Iraq or Cyprus; and Suez would then be threatened from the east as well as from the west. German air bases in Syria would complete the ringing round of Egypt, and both the British fleet in the Eastern Mediterranean and Allied shipping in the Red Sea would be in jeopardy.

The move had been half expected ever since it became known that Vichy had permitted the Nazis to use Syria's air bases. The only preoccupation was whether General Wavell, with Abyssinia, Libya, Crete and Iraq on his hands, had men and munitions to spare for a new campaign in which it was difficult to gauge in advance the extent of resistance. Colonel Collet's gesture in crossing over to General de Gaulle seemed to rouse little response, and in Generals Dentz and Fougère, the Germans had willing allies. Moreover, there was no easy line of approach in the field of propaganda. To promise the Syrians independence might win both them and the Arab world, but it would alienate the Vichy authorities and give them an opportunity to throw doubt on the patriotism of General de Gaulle as a man who had "bartered the birthright of France." The Allies, however, have decided to announce their support for the independence of Syria.

The repercussions of this pledge to Syria have not yet been made manifest in the campaign. British, Australian and Free French armoured units, with supporting air-

craft, crossed the frontier from Palestine and Trans-Jordan at dawn on June 8th. Two columns advanced on Damascus, and a third, which was delayed by demolitions on the coast road, had Beirut as its objective. French resistance is officially reported to be "patchy." Some Frenchmen are fighting, some have joined the Allies. On the whole—as might have been expected—they seem to have preferred to remain non-combatants. Even Vichy, after a week of threats and protests, has apparently decided, while defending Syria, not to regard the occupation as an act of war.

It is difficult to understand why the resistance of the French was not immediately reinforced and strengthened by the arrival of more Nazi men and machines. Coming on top of the collapse in Iraq it suggests that, for the time being, the Germans are not yet ready for land operations east of Crete. A direct attack could only be launched from the air; but their reorganisation will be completed in less time than the British tend to calculate. That is the lesson of Greece and Crete. If the occupation of Syria can be completed speedily, then immediate steps must be taken to ensure its defence. That is the lesson of Crete and Libya. The way is open to damaging reverses and humiliating withdrawals if British forces cannot both take and hold. The battle of Crete has given them their chance in Syria, but the real battle may well come not before but after occupation.

WILL READERS NOTE THAT FROM THE DATE OF THIS ISSUE THE ECONOMIST'S TELEPHONE NUMBER WILL BE
TEMPLE BAR 3316

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	£6,500,000
RESERVE LIABILITIES OF PROPRIETORS	£10,000,000
	£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 - " 143,400,000

Head Office - YOKOHAMA

BRANCHES IN ALL PRINCIPAL PARTS OF THE WORLD.
London Office: 7 BISHOPSGATE, E.C.2. H. KANO, London Manager

RIO TINTO COMPANY LIMITED

DIVIDEND ON SHARES TO BEARER

HOLDERS OF SHARE WARRANTS TO BEARER are informed that they will receive PAYMENT OF THE DIVIDEND declared at the General Meeting held on the 23rd inst., at the rate of Two Shillings and Sixpence per Share on the Preference Shares, less Income Tax, on and after Monday, June 9, 1941, on presentation of Coupon No. 88 on the Preference Shares at the Company's Office in London.

Coupons for payment must be left four clear days previously for examination, and may be deposited forthwith.

By Order,

J. DAVIDSON,

Secretary.

Offices of the Company:

11, OLD JEWRY, LONDON, E.C.2.

May 23, 1941.

LONDON AND MANCHESTER ASSURANCE CO., LTD.

Life, Annuity, Accident, Fire, Motor, Burglary

Chief Office: Finsbury Square, LONDON, E.C.2

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1	
ANNUAL INCOME EXCEEDS	£13,000,000
ASSETS EXCEED	£74,000,000
CLAIMS PAID EXCEED	£133,000,000
(1940 Accounts)	

Behind the Battle

THE critics in Tuesday's debate on Crete were not silenced by the news of the advance of the Allied forces into Syria. The conduct of the war, as it has been revealed in recent battles, is still in question. Mr Churchill was right to say that it is hard for lay critics to question the actual conduct of operations. Only the soldiers and statesmen who have been in charge of this year's operations in the Near East really know how much substance there is in the charge that the resources actually at their disposal might have been differently and better used. The lay critic often forgets that there are too many unknowns in his knowledge of the strategic situation for his criticisms to be final. Following the new fashion of giving out important information in Australia—or even the United States—before it is revealed in this country, Mr. Menzies has stated that the lack in Crete was fighter planes; and that this shortage was due to the scarcity of ships to take them out there. The charge made by the Labour Opposition in Australia that Anzac troops were given insufficient air support because too many planes were being held in Britain against invasion, Mr. Menzies firmly denied.

Obviously this is a matter in which the critic cannot speak with certainty. Whether the difficulty was scarce airfields or scarce aeroplanes he cannot tell; that and the distribution of anti-aircraft guns between Britain and other theatres are questions for the experts. The critic does not know the total of fighters available. He does not know how many might be needed if invasion were to be attempted. He does not know the size of the fighter force in the Near East. All he knows is that over Greece and Crete it was insufficient; that aircraft production, with American contributions, had been officially stated to be ahead of schedule; and that there was open confidence that Crete could be defended—after more than six months of occupation in which to make ready. He may well believe that there is every sign that the authorities still underestimate their task whenever the Germans attack; that the targets they set themselves in production as well as in operations are too elementary; and that the Allies cannot yet match the thorough plans and mighty blows of the enemy. But he is not in a position to say with any sureness that the result—in Greece or in Crete—might have been otherwise if a different disposition of the forces actually available had been adopted. There is more than a presumption that the methods used in land combat have been behind the needs of modern warfare. Always the enemy seems to move more swiftly and in more dimensions. But the enemy has plain advantages in numbers and material, as well as in geography; and it is this, more than any other factor, that gives him mastery. The single foundation of Mr Churchill's reply to the criticism was the fact that this country does not possess the material strength yet to frustrate the enemy abroad.

The root of these military ills is in production and economic policy. That there appear to be clear faults in the liaison between the Army and the RAF, in the construction and defence of airfields and in the mustering and employment of airborne troops cannot be denied. Mr Churchill's promise to give Army commanders tactical control over Army Co-operation Command aircraft has been generally welcomed; and it is even debated whether these reforms should extend to the wider operational use of these squadrons, which are to be reinforced. But it would be unfair and unhelpful to indict the Service leaders who have won the first Battle of Britain, driven the Italians from East Africa and held the seas, before it is asked whether the assistance given to them by the politicians and the people has been, or is, sufficient. Many of the alleged military errors and blunders can at least be explained away, if not always convincingly excused, on grounds of inadequate supplies. The cut of the coat is important; but the size of the cloth is even more so.

Mr Menzies has given the starting-point for the

criticism that can perhaps help most: too few planes, too few ships. It is to be doubted whether the production of war supplies in this country is, even yet, in top gear. There is substance in the charge that the British people are still living and working in a manner which is not appropriate to the desperate peril they are in. War factories are short of labour, even to carry out their present programmes, while millions of men and women are doing work in shops and offices which could be set aside. The inability of tobacco supplies to meet a rising and insatiable civilian demand produces a "crisis." The authorities stoutly maintain the right of every car owner, whatever his need, to a basic ration of petrol.

This is not the true atmosphere of a great nation at war. Nor does it reflect the real mood of a free and determined people. It is in part the product of the fears that play on politicians' minds, the fear of requiring hard and distasteful things from voters and the fear of surrendering a vested interest that has been fought and worked for. It is in part again the product of a habit of bargaining that is second nature to the leaders of business and labour as well as to the leaders of political parties. The technique of co-operation tends to be compromise and the watchword *quid pro quo*.

Yet there are some people who believe that everything possible to speed the war effort is being done. They resemble the high Cabinet Minister who, early in the war, replied to suggestions for some drastic economic action by hoping that it would not be necessary and that Germany would collapse first. Their attitude is that "Rome was not built in a day." The equipment of the forces when the war started, they point out, was very inadequate; it was still inadequate at the time of Dunkirk; and there has been no time to catch up the leeway since, they say. It is true that "there are many months of deficient equipment before us." As Mr Lees-Smith said on Tuesday, these sombre battles are delaying actions until we have the strength to do more than defend. But the blame for this inferiority cannot for ever be laid upon the shoulders of the administrations that have gone. It would indeed be hard to maintain that the present Government has done everything, within the remarkable powers that Parliament gave it a year ago, to mobilise the nation's economic resources. Only Ministers know the actual rate of production and the programmes that are aimed at. But no high office is needed to pick out the resources of labour and plant that are still unused or wasted.

It is fruitless to argue, from the outside, about unknown rates of output, though no one in contact with tanks can be wholly contented, and there are bottlenecks in assembling aircraft from America. The point is that, whatever these rates may be, even more can be done. The fact that Mr Churchill himself admitted that, though output was high, it might not be "fast" enough, is a sufficient invitation for critics to assist where they can. One step would be to impose upon every man and woman who is not doing unquestionably essential civilian work the obligation on call, whether engaged in full-time, paid employment or not, to transfer to, or train for, direct war employment. Mr Bevin's scheme for mobilisation, with its registers and its appeals, is running into the sand. Even if more war workers were not wanted now—and they are—they will be wanted in six months' time, and the recruits must be ready, trained and waiting. There are workers who need not be either transferred or trained; from the garages and workshops and the railway shops many more munitions could be forthcoming than are now being turned out, if the present piecemeal approach to these sources could be replaced by comprehensive and single-minded direction.

It is no use crying for the moon. The nation's power to produce is sharply limited by the men, the tools and the materials available. But this is the precise reason for bringing in every man—and woman; for setting every industrial establishment that can possibly produce machine

tools or drop-forgings to work at once; for making still fewer the non-war uses that materials can be put to; and, above all, for basing the whole of war economic strategy on the most subtle and effective use of shipping space. To say that more still could be done in production and shipping policy is not to under-rate the vast effort that is in train. It is the extra ounce of work and wisdom that will hasten the day when the resources of the Commonwealth in face of its great armoured enemy will match the courage of its fighting men.

Shipping is the key. The supply of materials would set no limit to production if shipping space were not scarce. It is by ship that finished goods of war come from the United States and Canada to reinforce British output. It is by merchant vessels that the distant battle-fronts are nourished; and it is the supply of ships—and the long time taken to round the Cape—that has placed the greatest restriction on the equipment of the Near Eastern forces. British and American yards cannot make good more than half the vessels lost by sinking; many ships are damaged but not sunk; ships compete with airfields and troops for anti-aircraft guns; maritime hazards are multiplied in wartime; shipbuilding capacity is diverted to repairing. These are explanations for the Government's difficulties. But they are also reasons for doubting, for instance, whether the determination of the Ministry of Food not to ration bread, which is being consumed much more heavily than before the war, is really wise, when a cut in bread consumption, the mixture of potatoes in bread flour and the greater use of wholemeal bread would release some millions of tons of shipping space in the year. Imports of meat, cheese, sugar and fats ensure a larger supply of calories for the shipping space used than imports of wheat; and it is a significant fact for the makers of food policy that over twice the 6 or 7 million tons of imported food that nutritional experts say would do at a pinch, if properly selected, are probably being brought in during this shipping crisis.

A food policy of this sort would involve more than economic decisions. It would mean comprehensive control over the production and distribution of foodstuffs. It would mean general rationing; much more communal feeding; a wage and allowance policy deliberately contrived to secure a minimum diet for every family; and a communal policy for agriculture as distinct from a farmers' policy. Indeed, a sound and rounded war economy involves social decisions at every point which are not easily made when progress is piecemeal and empirical. The process of mobilising men and machines, for instance, is grievously hampered by a tradition-bound reluctance to compensate *entrepreneurs* and traders for the losses which these changes must impose upon them. Still expected to do business at their own risk, they strive to hold up the policies which, however essential they may

be for the war effort, threaten their individual livelihoods. They obstruct; and in seeking to keep up their incomes as their turnover falls, they join the profiteers. Labour follows suit in this worried struggle for sectional advantage, and the spirit of national unity is broken. There is small excuse for the vested interests, on either side, when the consequences of defeat are counted or when the sacrifices of fighting men are considered; there can be none for the real profiteer. But a policy which would make all producers, and distributors, in effect, the war-time agents of the community, without prejudice to their post-war liberties, ensuring their livelihood and equating their burdens, would leave them with no vestige of justification; and it would make possible the maximum utilisation of manpower, plant, management, materials, willingness and loyalty.

This is the background. In the foreground, there are the factories at work, making more materials of war every month than in the month before. But more is needed. Crete, it seems, has taught many lessons, but none more telling than this fact that there can never be a sufficiency of the weapons of war. The control of war production is still loose. It is departmental and formalised. The Production Executive has given command and authority to the Government's plans and orders for tanks, guns, aircraft, equipment and the rest. But there is still too little liaison between what is planned and what is actually achieved from day to day. One firm turns out planes to schedule like clockwork; another does not. There is an ample supply of materials here and stringency there. It is a matter of management and control; and what is wanted is a system of expert intelligence to mark down what is happening, as it happens, and to report it forthwith, with no deference to industrial or departmental susceptibilities, to a Minister with authority to order redress, to call for explanations, to move managements and to have nothing unknown and unsuspected. Lord Beaverbrook could have these powers. With technical spies to inform him, and standing above the different supply departments who have their own axes to grind, such a Controller could make output taut, balanced—and bigger.

Probably the Prime Minister did not intend to imply on Tuesday that open criticism of the conduct of the war was to be deprecated. His own record and the experience of this war deny it. The function of the Commons is twofold: to speak the doubts and desires of the people; and to strengthen the Government's hand—by criticism as well as by acquiescence. No critic denies the transformation that Mr Churchill's administration has made in a twelvemonth. No critic can condemn the Prime Minister for a strategy that has been hobbled by material weaknesses. But to win, Mr Churchill and his commanders must some day be in a position to lead from strength; and the sooner that day the sooner the victory.

United States of Europe

IT appears that Hitler is about to announce his completed scheme for a United States of Europe. Within a centralised, planned economy, the nations will find their "independent" cultural place under the joint suzerainty of Germany, Italy, France and Spain, which, as Great Powers, will decide in common the major political and economic problems of the Continent. In spite of their political dependence, so runs the argument, the nations will achieve a new level of economic stability and prosperity and, instead of cramping their national existence, the new system of co-ordination and co-operation will open to them new vistas of freedom and development.

The odd thing is the extent to which this prospectus of the "new order" coincides with the plans of reformers both of the Right and of the Left in democratic communities. The union of Europe has been under discussion for two decades. Now it is an accomplished fact. The need to create a unified European economy under centralised planning and control has received the most enthusiastic recognition. Now the need is fulfilled. Work

for all, stabilised markets, the destruction of the "slavery of finance"—all these have been common ground to social reformers of most diverse outlooks. Should they not be content now that Hitler has done what they talked about for so long? The "new order" is, of course, an obvious travesty of their ideas. Europe has been united by destroying all freedom—personal and national—save that of a small gang in control in Germany. Even the hierarchy of "master-nations" is a farce, for the Latin bloc is industrially powerless and economically and politically dependent upon the Nazis. The centralised European economy is an economy for war and an attempt to make siege economics the norm. Jobs for all depends upon the maintenance of the war machine. Further conquests alone can prevent Europe's standards falling still more and "stabilised" markets under these conditions merely mean an assured share in a steadily diminishing cake. The tyranny of finance has gone. The tyranny of *Wehrwirtschaft* has taken its place.

It is easy enough to explode the fallacies of this New

Order, but the more ruthless reformers, on the one hand, and the more casual exponents of *laissez aller*, on the other, may be given pause by it. The reformers can learn how heavily all completely systematised and centralised organisations weigh upon their component parts. Injustice, compulsion, loss of initiative, and a vast extension of bureaucracy—these are all evils inherent in any system as rigidly co-ordinated as that of German Europe. All are agreed that the ends of the New Order are detestable. It will have taught a salutary lesson if some grow to a common detestation of many of its means.

On the other hand, the English-speaking world is still very far from removed from this danger of over-planning. The lesson of the New Order which most needs to be absorbed in this country is that the age of enterprise has given place to the age of security. It is not a complete coincidence that Hitler and the social reformers have so much in common, for the reformers have been trying to find a solution for the grievances which the Nazis are exploiting to their own ends. Every category of producer—worker, peasant, industrialist—was weary of the struggles and uncertainties of the competitive organisation of Europe. For many industrialists and peasants, an assured market seemed worth the sacrifice of a higher potential profit; for many workers, an assured job was worth the sacrifice of bargaining rights and freedom to choose their work. It may well be that even the control itself which the Nazis have come to exercise is not altogether unwelcome. The desire for independence is not one that goes easily with the search for security. The Nazis found what was to some extent a tired and listless European community, no more jealous of its economic independence than of its political liberties.

The extent therefore to which the Nazis have found willing collaborators is not altogether surprising. Save in the dairy farming areas of Holland and Denmark, the farmers are not discontented with the new conditions. The Balkan peasant is selling all his grain, his tobacco or his soya beans, and is getting steady payment in return. In the west—to give the most telling example—the fruit and vegetable growers of Holland have had a bumper season and are looking forward to another equally as good. After years of destroying surpluses, they can now sell all they produce to Germany and get good prices in return.

Industrialists have, of course, been driven into collaboration by their need for raw materials, but there is no doubt that many of them would have been ready for it without this compulsion. It is, after all, only extending to the whole of industrial Europe the practice of monopoly which has long been the goal of the average business man and his associations. The heavy industries of France, Belgium and Holland were already inextricably bound up with German industry and one of the reasons why there has been so little resistance is that the Nazis are not altering economic relations so much as abolishing the political frontiers which, until 1940, hindered the unlimited cartelisation and merging for which many industrialists were perfectly prepared.

The Nazis are, of course, using their political power to ensure that economic control is vested almost completely in Germany. Foreign interests in German industry are being bought out. Germany is buying up a controlling share in French, Belgian, and Dutch heavy industry. There is thus a shift in the power relationships; but it is important to remember that the framework of economic collaboration existed already. It is also true that the Germans are extending the area of control. In France, Belgium and Holland, other industries beside those which were previously affiliated are being brought under German control. This has been done for textiles in France and Belgium,* for cars in Italy and France. There is some opposition to these moves in Holland, where, although Dutch industry can hardly avoid collaboration, the industrialists are fighting the gradual extension of German control. Resistance is even stouter in Norway, but here the whole industrial system was orientated towards Great Britain and Germany has no

* The process is described in greater detail on page 794.

basis of pre-war industrial collaboration upon which to build.

While the elements of strength in Hitler's system should be recognised, there is no need to be hypnotised by them. The Nazis face formidable difficulties and their task is not made easier by the constant and sustained sabotage—political and economic—which they have to meet. As might be expected, resistance appears to be least among those who have most to lose; but it is the sturdy business men of Norway who have been largely responsible both for the failure of the Quisling party and for the Nazis' inability to secure willing economic co-operation from the Norwegians. Workers and peasants are constantly at organised and unorganised acts of sabotage which the Germans attempt to meet—so far ineffectually—by imposing collective fines. In Poland, arson is particularly widespread, while from Czechoslovakia comes the highest percentage of reports of industrial sabotage. In Norway, Denmark and Czechoslovakia there are clearly attempts—in Denmark by direct Trade Union action, in other countries by the pressure of public opinion—to prevent workers from working in the Reich.

Less damaging to the New Order but even more trying to the nerves and tempers of the new orderers is the attitude of contempt and insolence which the subject peoples in the main adopt towards their masters. It is on the whole passive and perhaps more trying on that account, since it cannot be punished without loss of German dignity. What can a German soldier do to a Paris *gamin* who walks behind him in exaggerated imitation? But there is some evidence of violent resistance. In peaceful Copenhagen, arrests for political violence increased from 40 in 1939 to 2,000 during 1940. There are sporadic outbursts of violence in Poland, while the Dutch appear to have a secret society which quietly "eliminates" Nazis and Dutch traitors.

One effect of resistance is to increase the Nazis' already formidable problem of administration. It is possible, for example, that the "supervisional maximum" in agriculture has been reached, for it was found impossible to employ prisoners of war for agricultural work in Western Germany, since there were not enough reliable overseers. The German papers are almost as full as the English of complaints of lack of leadership. They also lack trained men to run the vast new empire. When it is remembered that the number of people in territory directly administered by Germany has grown from about 68 to 109 millions since February, 1938, the magnitude of the problem can be grasped. And Nazi education is not designed to reproduce the reliable and duty-loving German civil servant of tradition.

Moreover, behind the immediate difficulties created by purely passive resistance and administrative insufficiencies, there are other more fundamental obstacles to the smooth functioning of the New Order, in spite of the extent to which, on paper, it meets both the dreams of the reformers and the needs of the man in the street. When everything in its favour has been said, it remains a travesty of men's real hopes and necessities. It is based upon war, upon turning butter into guns, and when the German people had sacrificed all beyond the food necessary to keep them efficiently at work, the Czechs, the Poles, the peoples of western Europe were asked to repeat the sacrifices. The first consequence of Nazi occupation is the disappearance of all surpluses and many necessities. As more and more consumption goods are sacrificed to the war effort, inflation within Europe and further predatory conquests without are the inevitable consequence. Thus, while the market gardener in Holland or the peasant in Roumania, this year and next and the year after, gets his regular payment for all his produce, the money he receives has less and less value. The whole offer of "stability" in such a system is illusory. Employment, markets, regular payments all depend upon the armament industry and the armament industry sucks up the substance of Europe and must be prepared to extend its sphere when Europe is sucked dry. Nor need it be supposed that the peoples of Europe are completely unaware of this. "Rationalising the labour force" or "consuming export surpluses" or "closing down redundant

industry" is only another way of saying forced labour, looting and squeezing out non-German competitors.

It may be that Goebbels has made a mistake in producing the "new order" at once in such concrete terms. People know it too well and know how singularly un-Utopian it is. Whereas as a ground plan for future organisation—the present could have been explained away

as a wartime necessity forced on peaceful Europe by Britain—it would have acted as an added incentive to finishing the war. It follows that the propaganda possibilities of the "new order" are not exhausted except by the Nazis. It is for the English-speaking peoples to take them up and prove that they are determined to exchange a genuine "new order" for this Nazi travesty.

NOTES OF THE WEEK

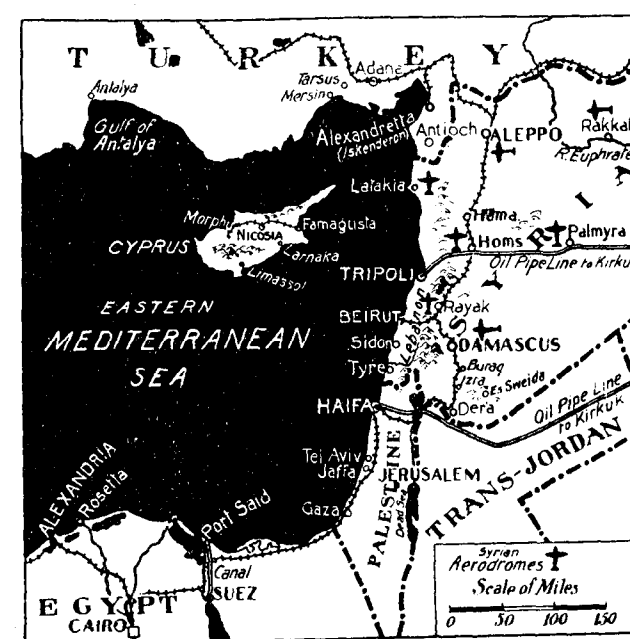
The Weygand Mystery

Even if General Weygand's two private conversations with Marshal Pétain made no difference to the policy of Vichy, and the whole story was put about by Berlin, it is nevertheless true that a sudden change in Vichy's manner and statements occurred at about the time of General Weygand's visit. Before that, the outbreak of hostilities between France and Britain seemed unavoidable. Admiral Darlan's hatred of the English, and his desire for "collaboration" with the Germans, were more apparent in each public utterance; and the policy of collaboration was widely believed to include the joint defence of Syria and the French African Empire, the joint use of French naval bases, and even joint action against the Free French Colonies. Then, in a day, the atmosphere changed. Vichy let it be understood in a surprisingly moderate Note to London that the attack on Syria was not a *casus belli* while the growing suspicion and resentment of the United States was somewhat checked by the announcement that Admiral Robert, the High Commissioner of Martinique, had agreed to a United States patrol of the French islands and to the posting of an American naval observer at Fort de France. Behind this open change of front rumour went much further—Weygand had withstood Darlan to his face, had refused either to allow any modification of the *status quo* in North Africa in Germany's favour, or to associate himself in any way with a joint defence of Syria, or to countenance a joint attack upon the territories of General de Gaulle. Finally, he is said to have demanded that a joint Commission, consisting of himself, General Huntziger, Admiral Esteva and Admiral Platon, should supervise any further proposals of military collaboration Darlan might make. There is no possibility of checking these reports. All that can be said for them is that they do to some extent fit the facts. On the other hand, it is not only possible, but extremely likely, that Berlin has dictated the change of front just as it dictated the front itself. The Germans probably wish to avoid forcing on to both the French people and the United States Government the dilemma of choosing between Vichy and Free France—as they would have to choose if fighting between France and Britain broke out. The Nazis have too shrewd a suspicion which way the choice would go. And since the Germans have a reason for dictating a change of policy, it must not be assumed that one swallow, even so important a swallow as General Weygand, makes a summer of resistance. Admiral Darlan's latest broadcast to the French people again defended to the uttermost the policy of collaboration, and it is Darlan not Weygand who is to remain at Vichy.

Before the Storm

Whether or not the Germans are ready for the next phase of their Middle Eastern campaign, they have allowed the first Allied advance into Syria to go by unchallenged, save by an increase in bombing over the whole scattered front. Alexandria has suffered some vicious night-bombing. The purpose is no doubt to scatter the population, to create chaos in the face of a possible air-borne invasion, and, at the same time, to terrorise the Egyptians into violation of their treaty with Britain. Haifa has also been heavily bombed by German aircraft, based on Aleppo, a fact which is difficult to reconcile with Vichy's assurances of the departure from Syria of the last Nazi. The Germans claim, too, that Cyprus has been unmercifully bombed for forty-eight hours, and here again it is possible that bombing is a preliminary to invasion. Yet the fact remains that even where, as in Libya, the Germans have men, material and presumably planes as well, no attempt has yet been made to complicate General Wavell's task in Syria by a full-dress diversion elsewhere. There are several possible explanations,

of which the most likely is that the Germans do nothing until their plans are fully matured and they are not yet ready to strike. In Libya, the much-publicised heat may be a further deterrent, but clearly the whole Middle Eastern



situation is trembling on the edge of a furious general conflict—a conflict in which, for the first time, Britain may prove to have taken the initiative by the advance into Syria.

First Things First

The Prime Minister admitted the need for a closer control of priorities in the filling of arms contracts some time ago, by deputing Lord Beaverbrook, as deputy-chairman of the Defence Committee in matters of supply, to be "referee." Actually, there is still considerable confusion as to what "priority" means. One meaning is that broad categories of production—aircraft, tanks, anti-aircraft guns—are placed in order of urgency, and materials, labour and capacity are allocated accordingly. Another is that individual contracts are placed in order of urgency within their broad categories, so that contractors know which to fill first, with the knowledge that, according to the specific priority given, raw materials will be made available by the Controls and workers by the Ministry of Labour. Unfortunately, priority as it is interpreted in Government practice does not seem to have escaped entirely from the first general stage, and it is hard to see how the appointment of a mere "referee" can bring about the precise specification of individual priorities that must be made if delay and unbalance in arms output is to be avoided. The experience of one large engineering works, employing thousands of workpeople, is illuminating. Last June, in the post-Dunkirk burst, this company was informed that orders for aircraft and associated equipment would receive the highest (A1) priority, other categories like tanks and ships coming below. Since then no single official instruction has been sent out to this firm on the question of relative priority; and representatives of the Ministry of Aircraft Production, the Ministry of Supply and the Admiralty have competed with one another in persuasiveness to induce this company to fill their respective orders for equipment, each of them claiming the "highest priority" for his orders. Without further official guidance, the firm has had two alternative courses before it: either to

continue giving precedence to *all* work for the Ministry of Aircraft Production, although several of its contracts for MAP have been plainly of less urgency than some orders offered by other Ministries; or to pick and choose among these orders according to what seemed to be their relative importance in the light of developments in the war situation—as reported in the Press. Asked to make equipment for tanks, this company is told by the Ministry's representative that the contract is of the highest urgency, but there is still no ruling to supersede the instructions of last June. It may be, of course, that the Government hopes that, if industrialists are given the idea that every order for every Ministry is equally urgent—and this claim is made by the Ministries for all their orders—they will be spurred on to greater and still greater efforts. But this is not "priority"; it is the old policy of exhortation. This state of affairs may not be general. But, where it exists, it leaves manufacturers unguided; it permits Ministries to compete for custom; and it gives no assurance that work in progress is being controlled and held in balance in relation to strategic needs.

* * *

The New POGA

The Goods and Services (Price Control) Bill arms the Board of Trade with fresh powers. Under the Prices of Goods Act of 1939, which remains in force, the Board did not have the power to fix maximum prices which will be given by this Bill; the obligation was laid upon traders to price their goods as the Act set out—that is, at the price charged immediately before the war plus a reasonable increase to cover increased costs. The Board of Trade's work was limited to specifying such prices if asked to do so by the Central Price Regulation Committee or by bodies of traders. By now more control has become imperative; supplies of goods have been drastically curtailed; rationing has been extended to clothing and boots and shoes; and the combined effect of all kinds of rationing (including food) and general scarcity has been rising pressure on prices especially in unrationed markets. An ugly rash of profiteering has shown the need for controlled prices (or margins) at every stage between manufacture and import and final sale. The new Bill does not cover food, where price-fixing and price-subsidising are the function of the Ministry of Food; and it is not intended to use it generally to the exclusion of POGA. For the moment, it is an annex to clothes rationing. To fix maximum prices, or maximum percentage margins of profit for manufacturers, wholesalers and retailers dealing in clothing, and boots and shoes, is a necessary corollary to rationing; and to impose similar control on the prices charged for repairing, laundering, cleaning, retailing or second-hand clothes follow no less essentially. Indeed, the Bill will not long be able to remain restricted in scope. Just as one ration leads to another because of the scramble for unrationed goods which grows as rationing spreads, so for the same reasons is an all-in price policy the only effective one; and it would be a great aid to the success of this latest offensive against onerous charges if the promise of the Chancellor of the Exchequer to stabilise the "strategic" prices of fuel, light, heat, transport and, hopefully, labour were to be made good soon. Piecemeal price control is impossible; and if the target of this Bill is strictly limited its usefulness may be sorely crippled.

* * *

The Post-War Ration

Last week Mr Morrison, the Home Secretary and Minister of Home Security, talked to the foreign Press in London about the world after the war. His stress was upon the achievement—for everyone in all countries—of "internal economic security," of a "really high standard of health, of diet, of physical well-being, and of education." Industrialists and farmers the world over would want markets; the peoples would want goods and services. Mr Morrison was right to point to minimum standards of social and economic security as the gain that this war can bring; and it is to the study of precisely this problem, under Mr Greenwood, that Sir William Beveridge is going from the Ministry of Labour. He was right, too, to deny the fallacious but popular view that the belligerent nations need be either destitute or "bankrupt" when the war is over. They will have their man-power, their factories, their fields and their material resources, however the monetary obligations arising from the war may be adjusted between class and class

and between nation and nation. It is only if demobilisation is done again by restriction and deflation—and this was the policy after the last war only because an uncontrolled post-war boom had piled Pelion on Ossa—that "post-war" may come once more to mean deprivation instead of plenty. Mr Morrison mentioned rationing as a policy for peacetime. Immediately after the war, before trade and shipping have been restored to peaceful pursuits, and when certain materials are still scarce, a degree of rationing may be needful; it is part of the physical task of reconstruction. But rationing, as the eking-out of scarcity, should have no place in the peacetime picture. Actually, by rationing, Mr Morrison probably did not mean rationing; he almost certainly only meant the aspect of rationing which ensures to every individual a minimum quantity of essential foods and equipment; and it is true that in peacetime the ordinary play of markets will not necessarily do this. In fact, Mr Morrison was really pleading for the National Minimum that so many of his Labour colleagues distrust because of its possible effects on wages; and it would be a pity to leave him on record as having advocated a policy which suggests controlled scarcity rather than the plenty that every post-war reorganisation in industry, agriculture and trade should be designed to secure.

* * *

Thinning the Herd

A joint announcement of the Ministries of Food and Agriculture has announced an open season for slaughtering between June 9 and the close of October next. New grades of cattle, for which special prices are payable, have been instituted during this period to induce farmers to "cull" their herds. Where necessary, compulsory measures are to be employed. Only the most profitable beasts are to be retained among either beef or milk producers, the test being roughly that the farm must be self-supporting in fodder, the occasional distribution of imported oil cake being regarded as a bonus. Shortage of fodder next winter is, of course, the prime reason for the new slaughtering measure, which itself, it may be assumed, is the reason for the temporary unrationing of offals. Cattle on the hoof are an important part of the country's iron ration, its basic reserve of food. Thus, while the latest insistence on culling is inevitably dictated by the shipping position, and also has some sound reasons of "good farming" to back it, it is, in a sense, disquieting. The matter is not unconnected with the refusal of the Ministry of Food to ration bread. Supplies of both bread and meat depend in large measure on the import of cereals. It is clear that the recent large increase in the consumption of bread, and, it may be supposed, in the import of wheat flour, have prejudiced the ability to feed the existing stocks of cattle. The rise in bread consumption, however, is itself due to the restricted meat supplies as well as to the high price of fish and vegetables. It is probable that an all-in control over the distribution of all foods, including a generous but limiting bread ration, as well as maximum prices and regulated distribution in the case of fish, eggs and vegetables, might ease the fodder position and prevent a deterioration in diet.

* * *

Self-Sufficiency on Farms

It is not sure that the Ministry of Agriculture has grasped the need for revolutionary changes in farming practice. Farmers are urged to make their farms "self-supporting" by growing more fodder crops and by turning more grass into ensilage for consumption by farm animals. But what is needed from British agriculture, in the present state of the Battle of the Atlantic, is the maximum output of human food, and that can only be obtained by the sale off the farm of such crops as wheat, potatoes and sugar beet. The nutritional importance of milk does indeed justify the growing of fodder crops, especially for dairy cows; "self-sufficiency" for the predominantly dairy farm is therefore a desirable slogan. But for the lowland arable farm the object should be the largest possible "export" surplus of human food; and the attainment of that object must involve a drastic reduction in the numbers of beef cattle and lowland sheep to the level that can be supported on the by-products of crops grown for other purposes. In the past, sheep and beef cattle, fed partly on imported foods, have provided on lowland farms much of the soil fertility,

but there is reason to believe that the importance of these animals has been over-estimated and that the same results can be achieved by a judicious combination of other practices. At any rate, the country can no longer afford to grow oats or roots to feed the cattle to provide the dung to grow more oats and roots; the first and only object must be the largest possible output of wheat, potatoes and milk, and the production of meat must become an incidental part of the new lowland agriculture.

* * *

American Defence Measures

In the sphere of American defence, the week has seen one or two vital developments. On Monday last President Roosevelt signed the Bill authorising him to transfer to the pool of merchantmen for Allied use all foreign ships lying idle in the United States. So far, 84 vessels are known to be involved, with a gross tonnage of 459,140 tons. One of the ten French vessels is the crack Atlantic liner, the *Normandie*. There are 28 Italian and 2 German ships, and by the time the count is completed, probably about 100 ships will be available for transfer. The Navy had its day with the launching of the 35,000-ton battleship, *South Dakota*, four months ahead of schedule, while the Army distinguished itself by bringing in an Army Bill of £2,250 millions, the largest ever voted in time of peace, and only once surpassed in time of war. These moves form a significant background both to the wave of strikes in defence industries, and to the sudden spate of peace rumours which coincided with Mr Winant's arrival in the United States. The Nazis are unquestionably perturbed by the scale of America's preparations. They must therefore do what they can to sabotage the country's will and ability to act. On the psychological front, rumours that Britain is "cracking" and "talking peace" encourage the Isolationists and strengthen Mr Lindbergh and his like. On the industrial front, strikes both paralyse war output and encourage impatience with the processes of democracy. Mr Roosevelt gave in the most absolute manner his assurance that Mr Winant had not brought with him "the tenth cousin of a peace offer," and went on to give an interesting illustration of the method of timing of the Nazi propaganda machine, which in this instance had worked to produce an atmosphere of uneasy peace talk exactly to coincide with Mr Winant's arrival.

* * *

Strikes or Sabotage?

It is possible that a turning-point has been reached in the ugly problem of strikes in the United States. Such is the history of American labour relations that many people, probably including President Roosevelt himself, are inclined to give organised labour the benefit of the doubt. Now, however, it is becoming clear that it is not a question of organised labour or even of labour as a whole. Official estimates state that some 96 per cent of the workers of America are wholeheartedly behind their country's war effort. The other 4 per cent, however, which include all too many local labour officials, are engaged in a campaign which seems calculated to sabotage the defence industries rather than to secure better conditions for defence workers; and the fact that the owners of American industry have shown a notable capacity for adroit manoeuvring in their attempts to exploit the defence demand to their advantage ceases to be relevant. This was brought out with unpleasant clarity by the events at Ingleside, Los Angeles, where men of the CIO Automobile Workers Union came out on strike and by doing so put a complete stop to work on billions of dollars worth of vital military aircraft of all kinds. The facts of the case illustrated the complete irresponsibility and malice of the local union officials. The strike was called while the case was still under consideration by the National Defence Mediation Board; it was unanimously condemned by CIO and AFL leaders alike; the Administration's order to the men to return to work was frustrated by 1,000 picketers; the president of the Automobile Workers was howled down when he attempted to address the strikers; and the union officials refused to allow a vote on the strike. President Roosevelt took the only action possible. Troops cleared the picket lines and a majority of the men returned to work. But Ingleside is not the only strike. Fresh strikes have broken out at Cleveland and Detroit, and the Office of Production Management have publicly stated their fear that all bomber output will cease unless these strikes are settled. The country is impatient for more vigorous action.

Australian Misgivings

Once again Australia and New Zealand have suffered heavily in the fighting in the Middle East—Australian troops left behind in Crete as prisoners or killed are estimated at 3,599—and once again it is very naturally being asked in both Dominions whether the losses could have been avoided. In a very frank broadcast last Sunday, Mr Menzies admitted that the rapidity of the German attack had again been under-estimated and implied that there had been a lack of adequate preparation in establishing good, well-protected air bases. It is understood, moreover, that the Advisory War Council, on which Labour is represented, has made strong representations to the United Kingdom on the necessity for air support and mechanised equipment for the Australian forces. Mr Beasley, one of Labour's representatives on the Council, is reported to have said that "It is tragic that our Forces should have suffered so much through lack of proper equipment and air support. . . . The Australian Government must insist in all future dispositions of the AIF that the United Kingdom Government should give a guarantee that there must be adequate air support." Expressions such as these will be heard sympathetically in this country, where the failure to give such fine fighters as the Anzacs the equipment they deserve is universally deplored. It is, however, worth pointing out that Australia can help to equip herself. At the Delhi Conference the Commonwealth was designated the chief source of supply for the Far East, owing to the great progress made by her armament industry, but it is as true there as it is in this country—and indeed in other Empire arsenals as well—that the maximum industrial effort has not yet been made. The Nazi sneers that Great Britain is now willing to fight to the last Australian is patently ridiculous, since, as Mr Menzies pointed out, of all the troops in the Middle East Australia supplied one-sixth. But, equally, Germany should not be given the chance of saying that Australia is only willing to fight to the last British tank—and pilot. Is, for instance, the Empire Air Training Scheme producing, in each Dominion, the maximum target of trained pilots aimed at? And would a critical survey of the standard of living in the Dominions show that they are sacrificing butter for guns, as they must if the Empire's potential superiority is to be translated into fact? An Imperial Conference, which Mr Churchill said he was hoping to arrange, would be of great value if it led to frank discussion and co-operation on matters such as these.

* * *

A Ministry of Fuel?

On May 28th, Mr. Grenfell, Secretary to the Mines Department, informed the House of Commons that the output of coal was insufficient to meet current demands. Even if the drive to increase production does yield a surplus over consumption during the next few months, coal will still be scarce. Even if the output of coal were plentiful, rigorous economy in consumption would still be necessary, for the coal-mining industry is a heavy consumer of male labour. The argument for rationing coal in its crude form,

**HOW YOU CAN
DOUBLE YOUR PRIVATE INCOME**

PURCHASE AN ANNUITY FROM THE
**SUN LIFE ASSURANCE
COMPANY OF CANADA**
(Incorporated in Canada in 1865 as a Limited Company)

Write for particulars to H. O. Leach (General Manager for British Isles)
141 SUN OF CANADA HOUSE, PALL MALL EAST, LONDON, S.W.1

as well as in the form of gas and electricity, is unanswerable, and the report that this is to be done is timely. In view of the dearth of shipping space, the application of a needs test to consumers of petrol and other petroleum products is equally urgent; and the case for a separate department responsible for the distribution of all the major fuels is therefore strong. Rumour has it that the need for a Ministry of Fuel, charged with the control of the distribution of fuels, has been recognised by the Government and that it will be set up soon. But any such Ministry, to be effective, must also be given power to plan a programme of supplies, embracing production and imports, in relation to essential requirements—and with due regard to the possibilities of substituting one kind of fuel for another; it could not be effective as merely a distributive department. In fact, the substitution of a national fuel policy for the present haphazard arrangements of production, imports and distribution, has become imperative.

Concessions to Coal Miners

The differences of opinion between the coal owners and miners over the conditions attached to the payment of the bonus of 1s. per manshift were resolved on Friday last week. The principle of the attendance clause has been retained. But the owners have agreed not to deprive the miners of the bonus if they have a legitimate excuse for non-attendance—if they are absent owing to sickness, trade union work, or civil defence duties, for example. Mr W. Lawther, president of the Mineworkers' Federation, pointed out after the conclusion of the agreement that no man would now be debarred from receiving the bonus, except those who would not face their obligations. "We can assure the nation," said Mr Lawther, "that the Mineworkers' Executive and local leaders will be in the vanguard of the drive to get every ton of coal it requires." Now that the ground has been cleared for the production drive, it is to be hoped that no more time will be lost in getting it under way. Mr Grenfell has said that the supply position would not be safe unless at least 20 million tons of coal were added to stocks before the end of October. If this target cannot be reached with the industry's present labour force, steps should be taken to strengthen it by recalling miners from other industries and from the fighting services.

Rationing Pitfalls

By slow stages, the scope of rationing is being extended. No further move has yet been made with regard to milk and fish, but the rationing of eggs is to start on June 30th. There is little doubt that this further partial extension of rationing will accelerate still more the scramble for the goods that remain unrationed—the most obvious examples being sausages and other cooked meats, canned goods, biscuits and confectionery. A new rationing period is about to begin, and measures will no doubt have to be taken soon to bring the distribution of these foods under control. It is to be hoped that the net will be cast very wide, for the problems of distributing unrationed foods, which include a deterioration in their quality, profiteering and hoarding, must become more acute as fewer foods remain outside the ration. The whole rationing system is now at a turning-point. Rationing is at last becoming the rule rather than the exception; and while there is good reason to suppose that vegetables can remain indefinitely in free supply, it is more than ever important that they should be retailed at "reasonable" prices. As it is, the prices of spring vegetables, for instance, have risen in a spectacular manner in the last three months and need immediate attention. The difficulties of equitable distribution, in the absence of all-in rationing, were strikingly illustrated last week-end, when a persistent rumour of the imminence of soap rationing caused long queues to assemble outside many shops. The maldistribution of supplies which must result from these scrambles, whether for soap or for cigarettes, is clearly unfortunate; and, as rationing proceeds stage by stage, the public is peculiarly liable to be impressed by this kind of rumour. It was likely from the outset that a shortage of oils and fats might well at some stage necessitate the rationing of soap as surely as the rationing of butter and margarine. Whether soap rationing has or has not, in fact, been decided upon yet is beside the point. The question is: should the authorities in any case have waited until the

public in panic has started large-scale maldistribution and caused needless scarcity? If supplies of soap are ample, the ration can be generous; but at least the distribution should be controlled, if the fantastic false scarcity which is making tobacco a major political issue is to be avoided in the case of soap.

Egyptian Unity

It is unfortunate that the recent attempts to secure a truly representative government of national unity for Egypt have again failed. The unwillingness of the Wafdist Party to be represented in the Cabinet while they are unrepresented in the Chamber is understandable, as is also the hesitation of Hussein Pasha Sirry, the Prime Minister, to hold elections during the present crisis. The matter appears to have reverted to deadlock—despite clear evidence of good will on both sides. It is all to the good that the Saadist Party, which favours more active support of the Allies, is now represented in the Cabinet, and, since the Wafdists support the official policy on most questions relating to the war, their absence from the Government need not be disastrous. None the less, the recent German terror raid on Alexandria indicates that Egypt will for the present be increasingly involved in the hostilities. Egypt more than ever needs an all-party government; and it is good news that General Aziz el Masri Pasha, who will go down to history as a singularly inept imitator of both Quisling and Hess, has been captured and will be brought to justice.

Home Security or Civil Defence

This week the Government rejected, though not finally, Mr Kenneth Lindsay's motion to establish a separate Ministry of Civil Defence, which would amalgamate the Ministry of Home Security and the civil defence functions of other departments. The chief reason given by Mr Morrison for the Government's decision was that the proposal would be impracticable because of the great number—nearly fifteen—of the departments involved. Provided that co-ordination can be secured between all these central authorities—and Mr Ramsbotham asserted that the Ministers concerned met at least three times a week to discuss civil defence problems in which they were mutually interested—there is no real reason why Mr Morrison should be divested of such a large part of his title and duties. But the Select Committee on National Expenditure was not convinced that co-ordination at the centre was adequate. Far more obvious, however, is the lack of co-ordination locally, and no good reason was given why the proposal to make the administration of civil defence regional rather than local was also rejected. The Government has already realised that fire fighting must be nationally controlled and regionally administered, and as an overture to the debate the establishment of a Fire Service Council to assist the Home Secretary in the administration of the fire services was announced. Moreover, civil defence conscripts can be drafted to any part of the country, like any other servants of the Crown. Why, then, is it said that a system under which regional authorities would control the administration of all civil defence duties would be bureaucratic and undemocratic? It might be more bureaucratic, but it would also be kinder and more efficient to evolve a system which would see that people in the bombed towns were properly housed, sheltered and fed and were not allowed to drift into the country every evening and sleep in the open as no-one's responsibility. Mr Morrison claimed that there was no destitution from air raids. This may be true, but there is a great deal of discomfort, worry and irritation and some distress, which could be avoided by more efficient administration. The argument that a greater use of the regional machinery would be undemocratic seems to be based on the fact that local authorities are elected whereas Regional Commissioners are appointed by the Crown. There might be some sense in this argument if the local authorities were responsible for civil defence policy. But they are not. Policy is centrally controlled, and the Ministers responsible have, of course, to answer for it to Parliament. The local authorities in this matter are merely administrative agents like the Civil Service, and it has never been held in this country that administration should be subject to the elective principle.

Thwarting the Land Speculators

Although Mr Justice Uthwatt's Committee to advise Lord Reith on the best means of thwarting speculation in bombed sites was appointed as long ago as last January, no indication has yet been given that any measures are imminent. The Land Agents' Society urge in their memorandum of evidence submitted to the Committee that legislation should be passed immediately. They suggest that, in towns which have been heavily bombed, the public authority should be given an opportunity of obtaining powers for the compulsory acquisition on an equitable basis of all the interests in the sites involved. Having exercised such powers, the authority would then be enabled to plan and re-develop the area concerned, either by doing the rebuilding itself and subsequently letting the property, or by selling the sites or letting them on building leases—in either case subject to any necessary restrictions to provide for zoning or re-zoning. The society claim that such powers would enable the public authority to control the development of the property, subject only to the directions of the central planning authority, and this claim is probably justifiable in towns where the local authority is constructive, energetic and disinterested. But the legislation suggested is merely enabling, and there would still be the grave danger that in some places the powers would not be exercised, with a consequent recurrence of the land exploitation horrors of the pre-war years. The Ribbon Development Act was an enabling measure, and it did not prevent ribbon development from continuing at will in places where the local authorities, from inertia or for more discreditable reasons, took no action under it.

Batavian Trade Talks

After dragging on for several months, the trade negotiations between Japan and the Netherlands East Indies have been broken off by Tokyo. This decision was apparently precipitated by the "stiff" Dutch reply to the "final" Japanese note, which was designed to conclude the discussions. The inevitable Press campaign in Tokyo is pouring out the usual Axis mixture of threats and bribes, while current rumours suggest that the Japanese Government consider the matter to have passed from the economic to the political and military sphere. There is no longer any attempt to disguise the fact that these trade talks were only a device for bringing the entire resources of the Netherlands East Indies within the orbit of Japanese control. The Dutch colonies, in participating in the blessings of "Greater East Asia Co-Prosperity," would naturally "enjoy" the political as well as the economic consequences of the scheme; and the Dutch East Indies' close relationship with the Allied Powers would be effectively disrupted. Such, no doubt, is the opinion of the Japanese Government. The Dutch, according to Japanese sources, are reported to have stood out for an absolute Japanese guarantee that the conclusion of a trade pact with Japan would not directly, or indirectly, release supplies for shipment for Germany.

Wartime Nurseries

The Government has announced its decision to bear the full cost of the provision by local authorities of wartime day nurseries for children under five. These nurseries may now be set up in any type of area—"evacuation," "neutral" or "reception." They may be used by women in any kind of employment. No distinction will be made between nurseries for evacuated children and nurseries for the children of women in employment, but there will be two types: whole-time day nurseries providing complete day-time care and maintenance for children of all ages up to five, at a cost of 1s. a day; and part-time nurseries for children of two to five, which will be open during school hours at a cost of 3d. a day without meals. The part-time nurseries will be under the supervision of teachers; the others are to have trained nursing staffs. So far, so good; this should go a long way towards solving the problem of the working mother *qua* working mother. But as the mother of children who spend their nights in shelters her problem remains. True, the provision of day-nurseries in reception areas will make the billeting of the under-fives a little easier; but nothing short of residential nurseries in the reception areas will avoid the danger to child health in the

bombed towns. The reluctance of mothers to let their children go—and it is, in any case, only a very small proportion of the under-fives who are eligible to go unaccompanied—is not so unreasoning as it sometimes appears. They may well argue that a tiny child, forcibly thrust as an unwelcome guest into a strange household, will suffer more at the time, and may sustain more permanent damage, than it will from exposure to physical danger surrounded by people who are deeply concerned for its happiness. The great obstacle to establishing residential nurseries is the difficulty, first of securing suitable buildings and, secondly, properly trained staffs. Accommodation is a small—but important—part of the national housing problem; it cannot be solved by itself. But the question of staff, provided that the right woman could be secured to act as head of each small colony, might be solved by appointing, under her supervision, carefully chosen but relatively untrained, young helpers. Part-time voluntary help could probably be had on a considerable scale, for many women would surely welcome such a congenial form of war work.

Italy's First Year

In a speech on Tuesday at the end of Italy's first twelve months of war, Mussolini put the best face he could on his country's disastrous record. Abyssinia would continue to resist and would be reconquered; Italy would occupy the whole of Greece; Britain would be driven from the Mediterranean; the United States could enter the war or not, as it pleased; since in effect it was in the war already; an Axis victory was certain; perfect understanding existed; the battles were cemented by common sacrifice; and so on and so on. Of the loss of Libya, not a word; of the effective occupation of Italy by the Germans, not a word; of Corsica, Tunis, Nice, not a word. It is tempting to speculate how the cynical Italian takes the faded eloquence and weary verbosity of these commentaries on Axis relations. The Italian people know that they have been beaten in Africa, in the Mediterranean, in the air and in Albania. They know that Italy's position has been restored only by German intervention and at the cost of total subservience. They know that snippets of Yugoslavia and an occupation of Greece are sops to make up for the loss of all those claims on France for which Italy entered the war. They know from their daily encounters with the new German bureaucracy the contempt the Nazis feel for them. But they are in the strait-waistcoat.

Rehousing in the Provinces

Large-scale evacuation from London has prevented serious congestion in the Metropolis despite considerable destruction of housing accommodation. Even where bombing has been concentrated on a particular area, and workers have had to move away from their work, the vast network of transport services in and round London has succeeded in avoiding any lasting difficulty in travelling. No such happy combination of circumstances exists in many of the main provincial cities which have suffered heavy bombardment. In these centres, evacuation has been on a much smaller scale, and the destruction of living accommodation has raised an acute housing problem. Moreover, overcrowding and social distress are only the beginning of the matter. Some industrial towns are within sight of a situation in which it will not be physically possible to house workers within reasonable distance of their work unless immediate action is taken. The problem is beyond the control of the local authorities. Its solution requires compulsory billeting over wide areas, coupled with the general requisitioning

The MERCANTILE BANK of INDIA

LIMITED

Head Office: 15, Gracechurch St., London, E.C.3

Branches and Agencies throughout the East

EVERY DESCRIPTION OF HOME AND EASTERN BANKING TRANSACTED

Enquiries invited

of all available large or empty houses and public halls. It requires the immediate construction of new accommodation in the form of huts, hostels or temporary houses; and it requires a more vigorous evacuation policy. Most important of all, rehousing must be considered by a central, national authority, say, a special officer of the Ministry of Works and Buildings working in consultation with the Ministry of Health. Rehousing is not simply a post-war problem; in some areas it is a problem which, on a temporary basis at least, must be solved before next winter, if output and morale are to be maintained.

News from the Foreign Office

The plans which Mr Eden has announced for the reform of the Diplomatic Service do not mark any dramatic departure in policy. There will be one combined Foreign Service, parallel to the Home Civil Service, and embracing the Consular Service as well as the Diplomatic Service and the Foreign Office, which continues the process of reform begun after the last war when the Diplomatic Service and the Foreign Office were brought together. Changes in methods of recruitment and remuneration will be made with the intention of considerably widening the field of choice for members; within the new Service there will be no watertight doors between the three sections; and provision will be made for the retirement on pension of men proved unfitted for further promotion. These changes, too, carry on a development that has been proceeding ever since 1918; the area of selection has been widening; and the need for entrants to possess a specified private income no longer holds. To say that these reforms are not as novel as some commentators have made them out to be is not to grudge them a wholehearted welcome. It cannot be assumed that the new recruits of the next decade or so will easily attain the traditional, mannered efficiency of their predecessors in work for which social ability, in the widest sense, is indispensable. But it is certain that the new provisions for drawing to the greatest possible degree upon the nation's fund of talent and experience—all missions are to be furnished with commercial, financial, labour and welfare experts—will bring fresh life and vigour to a service which has worked too much in seclusion and often in archaic ways. To ensure that lack of financial means will be no bar will in itself be a great step forward, even though no great change in the type of man taken in can be expected at once; and to make sure that the rise of talent will not be blocked by the mere claims of seniority will be a triumph.

The object of these reforms is to make the Foreign Service more representative, and this aim would be a justification by itself for them. The nation is represented abroad by its diplomats, and the Foreign Office has also come to claim the right to speak for the nation in foreign countries. Only this week the Minister of Information and his chief permanent officers are reported to have risen in revolt against the dead hand of the Foreign Office on the distribution of news abroad. In the United States, when the fullest and most pointed news is imperative, two appointments by MOI are said to have been vetoed by the Foreign Office. The appointment of Sir Malcolm Robertson to be in charge of the British Council, which dispenses publicity far and wide in other countries, was unknown to MOI before its public announcement. It is the exclusive and secretive habits of the Foreign Office as it is at present constituted that are in question. It is Foreign Office custom to conceal and hold back, just as it is the custom of the Service departments to conceal and hold back all Service news; and it is against these stifling limitations that Mr Duff Cooper and his aides have now revolted.

A New Liberalism?

Mr Hore-Belisha seems to have acquired the strong displeasure of Mr Churchill for his gloomy utterances in the country and his sustained criticism of the Government on all possible occasions. This may be regarded as a personal matter; but when Mr. Hore-Belisha, speaking as a Liberal leader to Liberals, redefines his creed as completely as he is reported to have done in a recent speech in Scotland, it is reasonable to ask where the ex-Secretary of State for War is going. The profit motive (he is stated to have said) must be done away with, and be replaced by the motive of service. This may, of course, be no more than the formula which springs automatically to the lips of good people who want to solve economic problems by bringing

about a change of heart among business men, a formula which is also common and profitable currency among the members of Rotary. It may represent the fact that Mr Hore-Belisha, in the rôle of reformer, has the very best of intentions; it probably does. It may merely be a loose and inaccurate way of saying that every individual must work for the State in times of national emergency. But the speaker was a politician of a particular designation talking to other politicians of the same kind; and it is pertinent to point out, first, that no brand of Liberalism yet known has rejected the profit motive or, more generally, the capitalist system; and, secondly, that if the National Liberals, excluding presumably Lord Simon, from whom hitherto they have derived their label, are to take this plunge, they are dooming themselves to even greater political frustration than they have enjoyed in recent years. Profits and service are not mutually exclusive; indeed, the one is, or should be in the society that Mr Hore-Belisha presumably wants to see, the reward of the other. The fact is that it is as nonsensical to speak of abolishing profits as it would be to talk about abolishing wages or any other payment for services rendered or goods received. It is possible to claim, at any point of time, that the reward of capital or of managerial services is too high in relation to other rewards. It is certainly possible to say that, in any well-organised post-war community, profits must be associated with plentiful production, and not, as in recent decades, with economic restrictionism. For it is precisely because of this relationship between profits and plenty in the past that the power to produce climbed quickly, and with it, though not equally, the standard of living of all classes. The decision as to whether this or that activity shall be carried on, or this or that article or service be produced, must be made according to some criterion of profitability—even under conditions of complete State control. For a Liberal to advocate the entire abolition of the arbitral functions of free markets is to cease to be a Liberal; and it is uncertain, on the existing evidence, whether it is Heaven or Totalitarianism that Mr Hore-Belisha would put in the place of these ancient and dynamic liberties.

Money for Health

In the article on Health Insurance which appeared on page 720 of *The Economist* of May 31st, the sentence "The only safeguard against starvation for the families of sick persons is that they can apply to the Assistance Board for relief" should, of course, have read "The only safeguard against starvation for the families of sick persons is that they can apply to a public assistance committee for relief."

Shorter Notes

For the first time the names of British regiments engaged in military operations were revealed when Mr Churchill gave the names of those regiments and units taking part in the fighting in Crete. They were the Rangers, the Black Watch, the Argyll and Sutherland Highlanders, the Leicester Regiment, the Welch Regiment, the York and Lancaster Regiment, the Royal Artillery, the Royal Engineers and the Royal Marines, "who formed the rearguard and suffered the most heavily of all."

A sharp reminder of the four-year-old war in the Far East has been given by two heavy Japanese air raids on Chungking. Last Sunday, 63 aeroplanes took part in the raid—not a great number by European war standards, but their effect on a city whose air-raid defences must be elementary at the best can well be imagined. Actually, human casualties from this raid were slight, but on the previous Thursday a horrible tragedy took place during a smaller raid, when nearly 2,000 persons were suffocated in a tunnel shelter.

After the High Court judgment allowing Captain Budd a writ of *habeas corpus*, the Home Secretary ordered the release of 12 other persons whose position was the same as his. Mr Morrison, however, stated in the House of Commons this week that since "a release necessitated by technical defects of procedure does not relieve the Home Secretary of his responsibility for public safety," he had considered the cases anew and had come to the conclusion that it was necessary on security grounds that Captain Budd and 11 of the other persons should be detained. Fresh detention orders have, therefore, been made for them, and a fresh application from Captain Budd for a writ of *habeas corpus* is before the court.

THE WORLD OVERSEAS

War Approaches Palestine

(By a Correspondent)

June 9th

WHEN Italy entered the war, just a year ago, Palestine suddenly found the enemy at her gates. The Mediterranean and the Red Sea became the front line; the withdrawal of French forces from Somaliland enabled the Italians to occupy British Somaliland; and Italian troops invaded Egypt. Italian planes bombed Haifa and Tel Aviv.

The population of Palestine faced the change calmly. Anti-British and anti-Jewish activities of Arab extremists ceased. Some 80,000 men and 40,000 women volunteered for national service and the whole community adapted itself quickly to the new conditions. The victory of General Wavell in the Western Desert; the re-occupation of Somaliland; the invasion of Italian Somaliland; and the British victories in Abyssinia—these removed for a time the danger from Palestine; and Jews as well as Arabs looked upon General Wavell as the hero who had saved the country from imminent danger.

Now the latest developments in the Balkans and Libya have brought the enemy to the gates of the Levant once more. Palestine is passing through a feverish stage of preparation. The aim of the Germans seems to be to advance towards Palestine by a pincer movement from Africa through the Western Desert and Sinai Peninsula and from the Balkans through Turkey, Syria and Trans-jordan. The ground was prepared by the Fifth Column activities of anti-British Arab groups. The Rashid Ali revolt in Iraq; the anti-British activities of the former Mufti of Jerusalem; the presence of Fawzi El Kawakji amongst Rashid Ali's army leaders—these show clearly the Nazis' intentions. The suppression of the Rashid Ali revolt has shortened one hand of the Nazi pincer movement; the Allied advance into Syria may shorten it still more. But the danger has not yet been averted. The Levant remains the centre of the strategic struggle.

The Country's Riches

The importance of Palestine, with its well-developed port of Haifa and oil station and oil refineries, cannot be over-estimated. The modern industries of the country and the facilities available for the supplying and repairing of military equipment are also of great value.

At the outbreak of the war, the economic situation of Palestine seemed ominous. The foundations of the country's economy were shaken: the stoppage of migration deprived the country of the regular inflow of Jewish labour and capital; the export of citrus fruit was cut to 25 per cent in the first year of the war and entirely stopped in the second; growers and traders were faced with bankruptcy; regular sources of raw materials were stopped; and the supply of vegetable and other foodstuffs from Syria and the Jewish community then showed great elasticity ceased. The Jewish community to the new conditions. In adapting the country's economy to the new conditions. The presence of the Imperial and Allied Forces increased the demand for all goods and the consumption of the home market increased. Deliveries to the Army compensated to a great extent for the losses due to the curtailment of citrus exports. The Palestine Administration helped. New credits were granted through the banks to the grove-owners, regardless of the fact that many of them were already in debt and had not managed to meet their usual interest and sinking fund obligations.

Many new industrial establishments have started during the last few months. The production of vegetables and food has increased, and new factories for canning and preserving fruit and vegetables have been established. New machinery and repair shops, working mainly for the military, have been opened and the building trade has been busy building huts and barracks. The chemical industries

based on the Dead Sea have increased their production; and exports of valuable chemicals, such as potash, magnesium, chloride, sulphur, rock salt, etc., have reached new high levels.

It is the danger from without that causes anxiety. A Nazi invasion of Palestine would lead to great bloodshed. German troops would have to fight not only the British Imperial Forces and the embittered Polish and Free French divisions, but also the entire Jewish population. The Nazis would vent all the hatred against the Jews which has been cultivated by their philosophers. German troops in Palestine would mean not only the destruction of the half a million Jews living in the country, but also the wiping out of the enormous effort Jews all over the world have made in the building up of modern Palestine.

A Jewish Army?

It was natural that the Jewish population of Palestine should express concern about the position and demand the formation of a Jewish Army for the defence of their National Home. The proposal was not accepted. The Palestine Administration suggested to the Jews that they should join the Palestine units which are composed of volunteers of both Jews and Arabs; and the number of Jews serving in these units is already three times greater than that of the Arabs, in spite of the fact that the Jewish population is only a third of the total. But the number of Palestine Jews serving in the forces is still comparatively small, for there exists a reluctance to join up as long as there does not exist any Jewish national force similar to the Polish, Free French, Czech and other national forces. The Jewish population in Palestine could provide an army about 60,000 strong; but the policy of the Palestine Administration is necessarily still concerned with promoting Palestinianism and not with creating a separate racial army.

Now the fight is on in Syria, and the problem of recruiting the able-bodied men of Palestine and putting them under arms is more urgent than ever. It may be that the German forces in Libya will try to create a diversion and attack without delay along the Egyptian frontier, and so attempt to force the Allied Armies in the Middle East to fight on two fronts. The use of any available man power in Palestine would then become urgent.

Between Two Wars

[FROM OUR SHANGHAI CORRESPONDENT]

May 9th

GENERAL business conditions in Shanghai this spring did not compare favourably with last year. It is true that the value of foreign trade increased, owing partly to higher prices, freight and marine insurance rates, and partly to an

SETTLE ALL QUESTIONS AS TO
PROTECTION FOR YOUR FAMILY,
PROVISION FOR YOUR OWN FUTURE, AND
SAVING FOR THE COUNTRY
by means of a policy with
NATIONAL PROVIDENT INSTITUTION
FOR MUTUAL LIFE ASSURANCE
— FOUNDED 1835 —
48 GRACECHURCH STREET, LONDON, E.C.3.

extension in the volume of trade resulting from Shanghai's greater dependence upon foreign cereals, textile fibres and coal, which now form 60 per cent of all local imports. This greater dependence, in turn, results from stronger Japanese measures to isolate the city from its hinterland, blockade the Free Chinese ports and export to Japan Chinese agricultural produce and coal formerly available for consumption here. But the continued decrease in Shanghai's inter-China trade offsets the increase in foreign trade. Local industrial activity is some 20 per cent below the peak it reached just before the crash in May last year.

On the other hand, in trade as well as in industry, Shanghai's business has recovered remarkably from the low point touched in last summer's depression. The city maintains its outstanding position as the one great Far Eastern port with an entirely free exchange market; a free sterling quotation of its own; complete absence of foreign trade control; commodity warehousing and capital movements; and an extremely light burden of taxation upon business. Some 65 per cent of all China's foreign trade is still concentrated here, and the British Empire maintains a leading 40 per cent share in Shanghai's foreign commerce.

In addition, Shanghai is amply supplied with large funds of repatriated Chinese liquid capital, available easily at low rates of interest and eager for speculation and investment. Half a dozen share issues of new British companies, incorporated under the Hongkong Ordinance and floated here during the past eight months, were all heavily over-subscribed. Banking is still doing well and registers satisfactory earnings. Confidence in Shanghai's business future prevails locally, though difficulties, both threatened and actual, have increased. These are reflected in the average prices of general shares—chiefly British—traded on the Shanghai Stock Exchange, which remain more than 30 per cent below the boom quotations of May last year.

Shortage of Shipping

Adverse factors include the prolongation of the European war; the continued closure of the Suez route; the disappearance of prospects of an early peace in China; Japan's increased pressure upon other foreign interests in China and increasing aggressiveness in the direction of Singapore; and the now serious threat of a general Pacific war. Besides these general factors, it is the shipping difficulty which worries Shanghai most. The past few months saw the withdrawal from the Shanghai run of additional British shipping, including all vessels of the Blue Funnel and Canadian Pacific lines; no British and Allied bottoms are permitted to sail to the north of Hongkong. The American and Japanese mercantile marines are unable to step into the place evacuated by the British and cannot now increase their regular Shanghai calls, while tramp shipping in Chinese waters becomes even more scarce. Freight and insurance rates, though sharply increased again this spring, still remain, out here, far below the peak reached in 1917, but for many purposes actual bottom space has simply become unobtainable for Shanghai. This situation is being felt the more heavily since Shanghai's dependence on foreign supplies continues to grow. Depending for half of its fuel supply on Indian soft coal, and without a single vessel at present available for the Calcutta-Shanghai coal run, the Shanghai Power Company has to enforce a 30 per cent curtailment of industrial sales of electricity, and most local industries have to reduce production correspondingly.

Since last summer's depression was overcome in the autumn, the earning conditions of Shanghai's industries have again improved and to-day maintain a very high level. In many industries, lower production was more than made good by increased profit margins resulting from time-lags and the inability of wage and salary adjustments to keep pace with commodity price increases. Ewo Cotton Mills, Shanghai's leading British manufacturing enterprise, earned for 1940, in depreciated Chinese dollars, 20 per cent more than its pre-war capital, and in terms of pre-war currency 30 per cent of that capital. The company reserved, wrote off and carried forward half its earnings, and with the remainder paid Ch\$6 in dividends on its five taels shares. The Shanghai Stock Exchange rates this share at between five and six times its pre-war value, while Chinese currency, in terms of sterling, retains little less than a quarter of its pre-war exchange value. Another British-owned cotton mill paid for 1940 a 150 per cent dividend, and sees its share rated nine times above its nominal pre-war value.

Port and shipping business is doing less well. But the Shanghai and Hongkew Wharf Company, the leading

British firm in this line, earned in 1940 45 per cent of its capital and paid a 35 per cent dividend, which in pre-war Chinese dollars means 10 per cent earnings and 8 per cent profit distribution. Real estate corporations, mostly with large sums of outstanding debentures, also show higher earnings. A turn for the worse is to be observed only in public utilities which cannot raise their charges with the pace and to the extent of the increases in their expenditure. Of British-owned Shanghai utilities, the tramways cut its 1940 dividend to 2 per cent (1939, 5 per cent; 1938, 8 per cent); the buses suspended dividend payments; and gas and water complain that their earnings are insufficient to provide for adequate depreciation. The American-owned utilities (power and telephone) are also unfavourably placed.

Ireland's Industry— Now and Post-War

(FROM OUR DUBLIN CORRESPONDENT)

May 27th

In the course of the debate on the Budget, Mr. Erskine Childers made an impressive speech in which he reviewed the whole economic situation in Eire, present and future. The first twenty years of self-government, he stated, had been disappointing; the national income had failed to expand, no new export markets had been established, and the fertility of the land had not been maintained. Irish prosperity in the past had depended upon the existence of conditions which might not prove permanent—shelter in the British market for certain agricultural exports, free emigration and the possession of large external investments. It is imperative to prepare a careful plan for the period after the war when Ireland would have to fit into a new international system. Efficiency based on low productive costs and a reformed marketing system would be essential, and agriculture would need either to be conducted on large farms or, if the enlargement of farms is impossible, with a considerable amount of co-operation. There would be a post-war demand for pedigree stock, pedigree plants and seed potatoes which Ireland should prepare to supply.

The rate of progress of the co-operative method in Irish agriculture is disappointing. The annual report of the Irish Agricultural Organisation Society states that the milk supply handled by the creameries has fallen in the last two years and that the number of agricultural and credit societies is decreasing. The failure of the co-operative credit societies is regrettable, but it is partly the result of the excellence of the Irish joint stock banks. Farmers are supplied with abundant credit by the banks, which they find the most convenient depository for their savings. When the Agricultural Credit Corporation was established in 1927, it was intended that it should foster co-operative credit, and it has, in fact, lent a certain amount to creameries who re-lend to their members. In general, however, the attempt to build up a system of co-operative credit has failed.

At a conference with representatives of employers and organised labour, the Minister for Industry and Commerce stated that industries which depend upon supplies of imported raw materials are confronted with difficulties of increasing perplexity. The unemployment problem is becoming more acute. On May 10th the number of people claiming unemployment benefit was 25,036, or 3,732 more than last year and 7,364 more than two years ago. The Minister urged manufacturers to formulate production programmes to maximise the number of workers in part-time employment by means of short-time or rotation working. Such devices would tend to increase costs of production, but this would be a lesser evil than an increase in whole-time unemployment. In so far as wages would be reduced, the Acts dealing with unemployment assistance would be amended to enable unemployment benefit to be paid to supplement the wages of workers in short-time employment. While devices of this kind to spread work over as many workers as possible are objectionable in normal circumstances, they are probably justified in the present emergency, especially since practically none of the industries concerned have to compete in export markets.

The annual report of the Sea Fisheries Association states that 1940 was a good year for the industry. The gross turnover of the Association amounted to £77,930, of which £43,452 had been paid to members in respect of catches disposed of on their behalf. Difficulty had been experienced in obtaining supplies of oil and in transporting fish to market, but the limiting factor on the development of the industry is the lack of demand among the Irish public for fish, the consumption of which is commonly regarded as a form of penance. During the last war the Irish fisheries expanded to a remarkable degree, but the post-war fall of prices and the renewal of external competition produced a slump from which the industry, which was in a condition of heavy indebtedness, has never fully recovered.

Egypt and the Red Sea Route

(FROM OUR ALEXANDRIA CORRESPONDENT)

April 10th

EGYPTIAN exports in 1940 totalled £28,322,000, compared with £34,832,000 in 1939. This decrease, however, is more apparent than real, for the British Government Cotton Buying Commission exports to Great Britain what cotton it can, and the remainder does not appear in the export figures, although its price has actually been paid and increased the country's purchasing power. If the value of the stocks in the hands of the Commission at the end of December were included, exports would have totalled about £40 millions, against imports of £31,378,000. Whereas cotton exports fell off by about one-quarter in value, exports of wheat, rice and sugar increased considerably, thanks to the special conditions created by the war. The whole export picture now presents a much more diversified aspect than in peacetime.

Although the presence of the Italians along the African coast of the Red Sea and the Indian Ocean had never proved a serious obstacle to navigation, even during the occupation of British Somaliland, their departure from this region will be very welcome, as the greater part of Egypt's foreign trade is carried by this route; much time will now be saved by the abolition of convoys, to say nothing of the probable reappearance of neutral shipping and the avoidance of trans-shipment at Mombasa—or even as far away as Bombay.

Belgium To-day

(BY A CORRESPONDENT)

May 20th

In spite of ruthless persecution by the Gestapo, or perhaps as a reaction against it, Belgian resistance is steadily increasing. The Germans recently suspended the 2,672 local councils which, with their centuries-old traditions of administrative and political liberty, were the centre of the opposition. The Gestapo have offered 1,000 marks to people indicating the names of those who commit or organise sabotage. Thirteen persons have been condemned to sentences varying between death and one year's imprisonment for helping British soldiers who hid in the occupied territory. Most cases, however, remain undetected.

News is very strictly censored, and listening to foreign broadcasts is prohibited under penalty of death. The German-controlled *Brüsseler Zeitung* unwittingly reveals various methods which the Belgians are using to irritate and hamper the Nazi invaders. The newspaper warns against persons who spread rumours "spoiling the good relations between the population and the German troops." Nickel coins have virtually disappeared, as people withhold them, fearing the Germans might use them for war material. The same paper protests that these hoarders are as bad as "the young hotheads who cut the German telephone cables or steal petrol." *La Pays Réel*, another paper, complains that teachers spend the greater part of their pupils' time in cramming them with "anglomaniac." "We are compelled to state," says this paper, "that Catholic schools in particular seem to specialise in this work of treason."

Wages have remained unaltered since May, 1940, though food prices have increased enormously. Potato prices, for instance, have risen by 50 per cent, cauliflowers by 150 per cent, carrots by 600 per cent and onions by 1,100 per cent.

The supply position, particularly with regard to potatoes and meat, is very bad. Private reports, dated from the beginning of April, state that the whole food position is deteriorating. In Brussels, there is a slaughter-house for cats and dogs, and every day they kill at least 100 animals. Mutton, if available, is merely dog flesh, but many people have had no meat for a very long time. It is understood that the German families in Belgium receive about three times as much food as the Belgians, and this has already resulted in riots in the Province of Luxemburg and in Antwerp. The situation is at its worst in Luxemburg, where, instead of the official ration of 15 kg. per month, only 3 kg. have been obtainable. The population ask what has become of the meat supplies of this province. For instance one week 9,616 kg. of meat were slaughtered at Arlon, equivalent to a weekly ration of 480 gm. net per head of the town's population; actually, however, only a small proportion of the inhabitants received their ration.

An agreement has, however, been concluded with Moscow, whereby a large quantity of wheat and fats will be delivered to Belgium in exchange for machine tools and heavy steel products during the next twelve months.

Owing to the lack of coal, iron and steel production is restricted, only twenty-five furnaces being in operation compared with forty-four in 1939. The steel syndicate "Sybelac" is authorised to export 3,000 tons per month to Holland, Denmark, Norway and Finland, payment being made through the clearing institute in Berlin. The use of oil and animal or vegetable fats by the paint and varnish industries, and the industrial use of sulphur, have been reduced to 30 per cent of the quantity used in the corresponding period of 1939. The use of oil and fats in the production of oilcloth, linoleum, polish and similar products has been entirely forbidden. The lack of raw material is felt very much in the textile industry, which works about thirty hours per week. Some 70 per cent of the output is taken by the Germans.

Books Received

- Cambridge Economic History of Europe.* Edited by J. H. Clapham and Eileen Power. Vol. I. *The Agrarian Life of the Middle Ages.* (London) Cambridge University Press. 650 pages. 30s. net.
- World Production of Raw Materials. Information Dept. Papers.* No. 186. *Royal Institute of International Affairs.* (London) Royal Institute of International Affairs, Chatham House, S.W.1. 69 pages. 2s. 6d. net.
- What to Do with Germany.* By Colonel T. H. Minshall, D.S.O., M.I.E.E., A.M.I.C.E. (London) George Allen and Unwin. 240 pages. 10s. 6d. net.
- The Chinese Year Book 1940-1941. The Council of International Affairs, Chungking.* (China) The Commercial Press, Ltd. 826 pages. \$25.00.
- The Way to Justice.* By Heber L. Hart, K.C., LL.D. (London) George Allen and Unwin. 146 pages. 5s. net.
- PENGUIN SPECIALS.
- Food: The Deciding Factor.* By F. Wokes. 144 pages. 6d. net.
- The Penguin Book of Food Growing, Storing and Cooking.* By F. W. P. Carter. 135 pages. 6d. net.
- PELICAN BOOKS.
- Plastics.* By V. E. Yarsley and E. G. Couzens. 160 pages. 6d. net.
- European Painting and Sculpture.* By Eric Newton. 125 pages. 6d. net.

—THE—

ROUND TABLE

A Quarterly Review of the Politics of the British Commonwealth

SEVENTH WAR NUMBER

LEADING CONTENTS FOR JUNE:

THE RIDDLE OF 1941
THE STRATEGY OF THE WAR—VII
PLANNING FOR REBUILDING
YUGOSLAVIA
INDIA IN THE POST-WAR WORLD
THE BUDGET
AMERICA'S GATHERING STRENGTH

And articles from correspondents in Great Britain, India, Northern Ireland, Canada, Australia, South Africa, New Zealand.

Price 5/- per copy or 20/- per annum. Post free

To be obtained from all Booksellers, Newsagents, and
MACMILLAN & CO., LTD., LONDON, W.C.2

German Europe

Textile Rationing.—At the beginning of the war Germany (that is to say, the Old Reich) produced roughly 32 per cent of her total supplies of natural and artificial textile fibres from home sources. In 1940, Germany's total output of artificial fibres was officially estimated at 400,000 tons, of which 300,000 tons were staple fibre; or, home production was some 45 per cent. of her total supplies for the year 1938. A comprehensive system of rationing textiles was necessary to secure the needs of a huge army, and to eke out the meagre remainder among the civilian population. At present, the rationing system is a combination of (a) special permits for household linen, baby clothing, and working clothing, etc.; and (b) a card of coupons which covers all other textile goods, except hats.

Further economies in material and labour can only be effected by standardisation. The first attempt has already been made by the standardisation of working clothes; haberdashery and dress cloths will follow.

Rationing followed on the control of production, which began in 1934, and on the control of prices instituted by the general Price Stop of 1936. Clothing prices, in the index of the cost of living, whose total has remained practically unchanged since the beginning of the war, nevertheless increased by 14.7 per cent between August, 1939, and February, 1941. Increased costs of production because of short time working in textile factories, and the use of more expensive raw materials for artificial fibres, are said to be the causes. Rationing itself also caused an increase in prices. Consumers preferred the higher priced goods, and manufacturers, especially tailors and dressmakers, followed this trend by adorning cheap dresses with fancy haberdashery, solely for the purpose of increasing the price. At present a decree by the Price Commissar is in force, ordering the reduction of the profit margins of wholesale dealers and retailers, and aiming at a reduction of prices by 6 per cent.

The manufacture of textile goods is controlled by a special commissar. The raw material is allocated according to the so-called "index figures," which give priority to army orders; and quotas are allotted for civilian manufacture. Business between retailers, wholesale dealers, and manufacturers is organised on the basis of what are called "coupon clearing offices." At these offices, retailers open "coupon accounts" by sending in the coupons handed over to them by the customers. The procedure of restocking goods starts with the drawing of a "cheque" amounting to the number of coupons deposited. The coupon clearing office endorses the cheque, and sends it back to the retailer, who attaches this cheque to his order for the wholesaler or manufacturer. No goods may be delivered without this cheque.

Restocking is limited to goods which have been regularly ordered by retailers over a longer period; and the system is different for clothing manufacturers and for retailers. The accounts for manufacturers are worked out according to the type of cloth measured in metres; the retailers' account is generally worked out in coupons. The clothiers are thus restricted to specified goods, while the retailers can choose how they use the coupons, though the choice of retailers has recently been restricted also in the case of a number of goods.

European Textiles.—Germany's conquests and the subjugation of other European countries have not eased the textile supply situation. The requisitioning of raw materials in occupied countries was a short-lived advantage. Germany and Italy, the world's leading manufacturers of artificial textile fibres, especially of staple fibre, are thus faced with the need to organise the distribution of textile raw materials between all the different European countries. Most of the elements of the German system of control and rationing have been introduced in Continental countries—including the Neutrals, Sweden, Finland, and Switzerland. Italy and Sweden have confined their measures to standardising textile goods. France, Belgium, Holland, Denmark, Norway, Switzerland and Finland have introduced the coupon system. Rationing systems in the Balkan countries are not complete, and vary according to the general condition of the country.

The magnitude of the problem can be seen from the fact that before the war Continental Europe imported some 40 per cent of total world imports of cotton and some 45 per cent of total world imports of wool. Germany, Italy

and the occupied and dependent countries possessed, before the war, some 60 per cent of Europe's cotton spindles, or some 36 per cent of the cotton spindles of the world. In spite of the prodigious development of the manufacture of artificial textile fibres, a long-drawn-out war must lead to a cotton and wool famine in Continental Europe.

Meanwhile, Germany's war economy pursues a twofold aim; first, the increase of cotton cultivation in Italy and the Balkan countries, as well as a rapid increase in sheep-breeding for wool in Germany and in the Northern countries, and, secondly, the rapid development of the manufacture of artificial textile fibres, mainly staple fibre, in all European countries.

An interesting example is the "collaboration" between the German *Zellwolle Ring* and the newly formed concern *Rayonne Française*, comprising 20 French textile companies. A considerable programme of factory construction has been agreed upon; German patents will be used, and German experts will assist. The co-operative system for financing new factories, first used in Germany, will be employed in France. The shares of the new companies are divided between the whole textile industry, and they entitle each holder to a specified quantity of the annual output.

In Belgium a new federation has been formed to build factories for the manufacture of cellwool. The well-established rayon industry in Holland, represented by *Aku*, is increasing its capacity, and is building new capacities for making cellwool and casein wool; heavy exports to Germany are reported. In Norway, Sweden, and Finland a number of new factories and spinning mills are under construction. Denmark reports no plans for extending its textile industry; but Danish import duties on artificial textile fibres have been reduced for the benefit of German exports. In Hungary a company has been founded for the manufacture of cellwool; and from Roumania, Yugoslavia and Bulgaria the extension of the cultivation of cotton is reported. The set-up of the European textile industry, as contemplated for war purposes by Germany, thus becomes clear. The production of natural and artificial fibre is expanded by German collaboration where it is possible; at the same time, Germany aims at the control and eventually at a supply monopoly of artificial fibres for the whole Continent.

*

Iron and Steel.—After the collapse of France, German Government "trustees" took over the administration and reorganisation of the iron and steel industry in Luxembourg and Lorraine. In April, the "trusteeship" of these concerns was transferred to German firms, which will operate the plants until the question of ownership is definitely settled. The *Hermann Goering Werke*, the *Vereinigte Stahlwerke*, the *Kloekner AG* and a number of other German concerns take over all the Luxembourg and Lorraine iron and steel works. The iron ore mines, however, remain under the direct administration of the commissar for iron ore mining.

The cartels and syndicates in the German iron and steel industry have been prolonged until June 30, 1942. The most important change is the incorporation of the iron and steel works in Luxembourg and Lorraine. The plants in Polish Upper Silesia, in the Sudetenland and in Bohemia and Moravia had been incorporated earlier.

Definite quotas have been allotted to the Luxembourg works, but in Lorraine no quota decision has been made. It is said that the works were neglected under French administration, and the German trustee-concerns have deferred this decision until they know more about the capital expenditure necessary for the modernisation of plants.

*

Wages Rates in Industry.—During 1940 average wage rates in industry remained unchanged at Rm. 0.843 per hour. Wage rates in incorporated territories were adjusted to the German standard; in Bohemia and Moravia rates were increased by 40 per cent; in Luxembourg, and Alsace-Lorraine the increases ranged from 45 per cent to 80 per cent; Polish workers employed in Germany are paid the same rates as German workers, but a deduction of 15 per cent is made because of the lower standard of living in Poland.

THE BUSINESS WORLD

Outlook for Equities

O PINION on the wartime prospects of ordinary shares has boxed almost the entire investment compass in the twenty-one months during which the war has been in progress. At the outset, naturally, it was widely assumed that the Stock Exchange history of the last war would repeat itself with only a few minor modifications. The necessity for issuing large blocks of new Government securities, as part of the process of financing war expenditure, was expected to bring the era of cheap money to an end and produce an appreciable rise in medium and long-term interest rates. Some measure of inflation, also, was considered inevitable, and ordinary shares were expected to have the same "hedging" value as in Great Britain during the last war and in some other countries subsequently. It was taken for granted that the Government would impose a stiff excess profits duty, but that the untaxed margin of war profits would be wide enough to leave ordinary shares with significant "equity" possibilities under a regime of rising prices and earnings. The need for selectivity in choosing individual shares was stressed, but the principle that war tended to emphasise, rather than to detract from, the investment appeal of ordinary shares, as such, was unquestioned.

When Hitler overran Europe in the spring of last year, opinion swung violently to the opposite extreme. The fall in equity share prices in May and June, 1940, was catastrophic, and it reflected, not only the view that ordinary shares were far more vulnerable than had been supposed to "psychological risks" when military matters were going ill, but also the realisation that Government finance was not likely to be on the same pattern in this war as in 1914-19, and in particular that EPT was to be used to frustrate capital appreciation. From the last days of June, 1940, onwards there was a steady recovery in ordinary share values, but it was based on a decidedly moderate amount of buying and suggested the passing of the investors' worst fears about the immediate course of the war rather than any fresh swing of opinion in favour of equity shares generally. From, broadly, the beginning of 1941 to the present time, market sentiment has gradually come to an intermediate position between the two extreme views. There have been periods, lasting usually for a few weeks rather than days at a time, when prices have been slightly rising or equally slowly declining, and rather longer periods when the market has been entirely stagnant. The market still wears a "disillusioned" appearance, and the best proof of the somewhat perfunctory nature of demand is that, although floating supplies of stock are in most cases so moderate that a relatively small amount of buying would set prices moving upwards, that buying is rarely forthcoming.

It can, however, be argued that, provided investors are prepared to abandon all preconceived ideas of the rôle of equities in wartime, sufficient material is now available for a revised estimate of ordinary share prospects, and that that estimate is on the whole rather more favourable than current market conditions would imply. The unknown factor in all contemporary calculations is, inevitably, the course of the war itself. The behaviour of the market in the face of the news of recent British reverses goes some way to suggest that the purely psychological factor counts for less than it did a year ago; the markets have become more shock-hardened.

What is more important, however, in any re-assessment of equity share possibilities is the fact that the domestic environment in which investment of every kind will be carried on for the war's duration can now be seen in clearer focus than at any time since hostilities began. The Government's policy of a closed capital market is firmly established, and, so far as the Stock Exchange goes, it is producing all that the authorities could have expected of it. Interest rates have not risen, and the trend of gilt-edged prices is distinctly firm. There are still, perhaps, one or

two minor loopholes in the control, and one great gap—the absence of a Government wages policy—which, if it were not closed, might ultimately upset the Chancellor's Budget balancing in the widest sense, and threaten gilt-edged values with depreciation as a result of an inflationary situation. That, however, is a risk which the market does not take seriously at present. With this reservation, it may be assumed that investors must reconcile themselves to the prospect of obtaining an income of only a fraction more than 3 per cent on the longest-dated British Government stock, if they are not liable to income tax; with a net yield of little more than 1½ per cent, if they pay tax at the standard rate on the larger part of their income, and of 0.075 per cent on the highest layer of their income, if they are liable to surtax at the maximum rate. It is the Treasury's duty, in the national interest, to ensure that these income figures are not increased, but rather reduced, if possible, during the entire war and post-war period.

To many investors, however, ranging from the large institution, with more or less inelastic contractual liabilities, down to the private individual living, wholly or partly, on investment income, prevailing gilt-edged rates are low enough to involve possible hardship. For such investors, the appeal of equity stocks is not as a hedge against inflation, or as possible source of ultimate capital appreciation, but as a "mixer," to be added to a balanced security portfolio to increase its average yield. Investors now know the worst that EPT can bring. If they are conservative, they will leave the 20 per cent post-war repayment factor entirely out of their calculations, but they may reflect that, if the Government is taking the whole of increased wartime company profits, it cannot take more. Investment in ordinary stocks then becomes a problem in selectivity. If all equities are, in fact, fixed-interest stocks—or, more

Legal and General Whole Life and Endowment Policies

both participating and non-participating
**include War Risks within
the United Kingdom**
so long as the life assured remains
a civilian.

Part-time duty in the Civil
Defence Services and the Home
Guard as at present constituted
is included in the cover.

The Society is prepared also to
consider War Risks both at
home and abroad in respect of
non-civilian lives, each proposal
being considered on its merits.
Life Assurance is more neces-
sary to-day than ever before—
ask for full particulars now

LEGAL & GENERAL
ASSURANCE SOCIETY LIMITED

Chief Administration:
ALDWYCH HOUSE, ALDWYCH, LONDON,
W.C.2

Branches in all principal Towns

Established 1836
General Manager: Vernon E. Boys Assets exceed £54,000,000

correctly, maximum-interest stocks—for the duration, the investor's task is to select those whose yield at market prices is generous enough, compared with the yield on gilt-edged, to make their purchase worth while, and whose prospects of continuing to earn something like current profits are reasonably good.

In practice, that may involve the avoidance of shares in companies operating in industries whose raw material supplies or markets are likely to be circumscribed by rationing or Limitation Orders, particularly trades embraced in any present or future "Lyttelton plan," unless investors have special reason for believing that their profit-earning capacity is, nevertheless, reasonably assured. This, admittedly, means the exclusion of many equities whose peacetime market standing was of the highest. But it leaves an impressively long list of ordinary stocks in companies working either directly for the war effort or producing goods or services deemed indispensable even in wartime. The table in the next column gives a very brief selection of stocks which satisfy these criteria and yield not less than 5 per cent.—which investors may, perhaps, regard as a convenient test of "worth-whileness."

The majority of the companies in this list have published recent reports, covering operations in a period of twelve complete months since the war. A certain reduction in future divisible earnings may result from the fact that EPT

Share	Current Price	Yield %
Bass Ratcliff Ord. £1	108 -	3 14 0†
Mitchells & Butlers £1	62 -	6 15 6
Bolsover Colliery £1	46 -	6 10 6
Guest, Keen & Nettlefolds Ord. £1	23 9	5 9 6†
Vickers Ord. 10/-	15 6	6 9 2
Tube Investments £1	91 3	5 4 1
P. & O. Def. £1	24 3	6 3 7
Imperial Chemical Industries Ord. £1	31 14	5 2 10
Crompton Parkinson "A" 53	19 6	5 2 7
North Eastern Electric £1	27 6	5 1 9
Carreras "A" Ord. £1	81 3	6 11 3
Woolworth Ord. 5/-	48 -	6 15 4

† Tax Free.

was charged, in the latest period for which results are given, at an average rate of less than 100 per cent. In wartime, nothing is certain—including the duration of the war itself. Barring unforeseen eventualities, however, the prospect that companies like those suggested will continue to remunerate their shareholders at a satisfactory rate seems reasonably good. Generally, the "yield differential" between fixed-interest and equity securities is wider now than what would have been considered normal, in the light of experience over a good many years before the war. Given reasonable stability in market dividends, the gap may well tend to contract rather than expand in future months.

American Banks and Defence

THE American banking system is playing its full and important part in the defence programme which now dominates the economic life of the United States. The sudden acceleration in the activity of the armament industries which followed, first, the Allied purchases of war materials, and then the setting into motion of the United States Government's own huge re-armament programme, reacted directly on the banking situation. In the first place, the industries and trades directly and indirectly affected by the vastly increased expenditure on armaments have increased their borrowing from the banks. This increased utilisation of bank credit by the defence industries was facilitated by the passage of the Assignment of Claims Act last November, a measure which permits borrowing on the assignment of Government contracts. In the second place, the banks have given their full—some might say excessive—support to the financing of the Government deficit by taking up a steadily rising volume of U.S. Treasury paper.

Over the twelve months to the end of last February the loans of the weekly reporting member banks of the Federal Reserve system increased from \$8,520 millions to \$9,408 millions; the increase in this item became particularly pronounced from the end of August. The increase in commercial loans of reporting member banks in 101 leading cities between the end of August and March 26th last amounted to \$950 millions, or about 20 per cent. A recent survey conducted by the American Bankers' Association shows that, at the end of 1940, about one-fourth of the defence loans of 196 large commercial banks in the United States were secured on the assignment of Government contracts, indicating how large a part the Assignment of Claims Act has played in the recent expansion of bank credit in the United States. The increase in the same reporting member banks' holdings of U.S. Government securities over the twelve months to the end of last February was from \$11,281 millions to \$13,138 millions.

The technical reserve position of the banking system was fortunately more than adequately prepared for this expansion in the demand for credit. This may be seen from the fact that over the twelve months in question the excess reserve balances of member banks of the system actually increased from \$5,692 millions to \$6,534 millions. This was, of course, due in the main to the continued influx of gold, which created reserve balances at a faster rate than they were being utilised by the increase in deposits. If a wider retrospective glance is taken at the distribution of assets in the American banking system, it is interesting to note how fundamentally this picture has been changed over the past twelve years. The total of loans and investments of all member banks, which stood at \$35,934 millions at the end of 1929, fell steeply in the depression period, but has been gradually recovering, and at the end of 1940 passed once again the 1929 total, reach-

ing \$37,126 millions. But, over the intervening twelve years, the loans included in this total had fallen from \$26,150 millions to \$15,321 millions, while the investments had risen from \$9,784 millions to \$21,805 millions. Long before British banks were called upon to face the problem of the dominance of investments over loans and advances, the United States banking system had had to adjust itself to this phenomenon.

The existence of huge excess reserves gives corresponding scope for an uncontrolled expansion of banking credit in the United States, and this potential is all the greater for the absence of the traditional corrective of an outflow of gold which can no longer operate under the conditions of to-day. It must not be assumed, however, that the expansion is, in fact, taking place in response to uncontrolled and uncoordinated individual demands for credit. In the first place, the Federal Reserve authorities are fully aware of the danger of uncontrolled expansion of credit for which the technical reserve position of the system gives such immense scope. Those fears were responsible for the message to Congress sent by the Federal Reserve Board in December last, in which formal requests were made for measures to neutralise this inflationary potential. Among suggested remedies were the increase of member bank reserve requirements and a suggestion that the budgetary deficit be covered to a larger extent by raising taxation, or at least by borrowing from the public in preference to direct borrowing from the banking system.

It is evident, however, that the problem of maintaining adequate control over the inevitable expansion of bank credit in the United States cannot be solved by the mechanistic approach of tampering with statutory reserve ratios. The demon of inflation will have to be exorcised in the United States, as in the belligerent countries, by control focused not on the volume of credit, but on its distribution and use, and by supplementing this by direct controls on the production and distribution of goods and on civilian consumption. There are indications that this realistic approach to the problem is, in fact, being made in the United States. It may, for example, be seen in the proposed restrictions that are to be placed by the Federal Reserve authorities, acting with Congressional consent, against the grant of bank credit to finance instalment sales. Another illustration of this more direct technique in the control of bank credit is provided by the mechanism recently set up to maintain contact between the Federal Reserve System and American industry. For some months past, the Board of Governors and the Federal Reserve Banks have been co-operating with the Defence Contract Service, which is a unit of the Office of Production Management, in aiding producers and the Government to make and finance defence contracts. An official of each reserve bank has been designated as Federal Reserve Con-

tract Officer, whose task it is to advise banks, contractors and prospective contractors on the financial problems of the defence programme. In particular, these officers put prospective industrial borrowers in touch with local banks and other lending agencies, and where an industrialist's needs cannot be satisfied by his own bankers, the Defence Contract Officer can place him in touch with the Federal Reserve Bank of his district or with the Reconstruction Finance Corporation.

The service offered by the Contract Officers and their organisation goes well beyond the provision of credit assistance. With each of the Federal Reserve Banks is to be found a District Contract Service, which undertakes some of the work now done in Great Britain by the Ministry of Supply. The service is staffed by men of engineering and industrial experience. Their task is to bring together primary contractors and sub-contractors able and willing to assist in the defence programme and to furnish small and medium-sized local producers with the wide variety of

information needed to fill in Government orders for defence goods. They act as a link between the Government's purchasing agents and local industry. No doubt, as the war progresses and as the calls made on American industry increase, the whole of this contracting organisation will have to be centralised and given more co-ordinated form, and probably greater powers of compulsion over industry, than it commands to-day. But at least an admirable start has been made in fitting the United States banking system into the vast and complicated pattern of the American defence programme. The system has within itself the seeds of all the elasticity which the fulfilment of that programme will demand. What is more important, there is every indication that the United States authorities have fully grasped the principles on which the control of the distribution of credit must be based, and have already established the liaison system between banks and industry which in this country emerged in highly empirical form after some months of actual war.

Finance and Banking

Half-Year End Prospects

There has been nothing in the experience of the money market during the past week to hint at the approach of the turn of June. Short loan conditions have been exceptionally easy, and far from going slow in their purchases of bills in preparation for the June 30 balance sheets, the banks have this week been keen buyers, and unable to satisfy their requirements from the market. The market obtained a 34 per cent. allotment at last week's Treasury bill tender, and has not, therefore, been a ready seller, especially as it is replenishing portfolios which were somewhat depleted by the sales made to official quarters in the recent phase of stringency. Such is the abundance of loanable resources in the market that the prospects for the turn of the half-year can already be envisaged as exceptionally easy. The market appears to have retained a fair amount of end-of-June bills, and in any case calling by the banks is not expected to be on any considerable scale. The accentuation of ease in the short-term credit position has been followed by a greater demand for bonds and other short-term securities. The available volume of these is being further curtailed by the Australian Conversion operation. The recent rise in the prices of "shorts" has led to some expectation that the next series of National War Bonds, of which details should be available before the end of this month, may carry interest at a lower rate than the 2½ per cent. of the present series. The Bank return shows the ease of money to be connected with Government disbursements outrunning revenue, plus the receipts from borrowing, and thus encroaching further on public deposits at the Bank of England. These, already at the low level of £10,929,000 last week, have further fallen by £3,889,000, and last Wednesday stood at the almost unprecedented figure of £7,040,000. Bankers' deposits rose by £802,000 to £122,661,000. The benefit of net Government disbursements to the volume of bank cash would have been greater but for a further expansion of £1,736,000 in the note circulation carrying its total to the new record level of £637,167,000.

India's Sterling Assets

The ease with which the Indian authorities completed the repatriation of the sterling stocks recently vested in this country has led to reports that this operation must be regarded as the prelude to a repatriation of the India 3½s which have been redeemable on 12 months' notice since 1931, and of which some £87,000,000 is outstanding. It is difficult to find justification for this reasoning in the published data on the Indian sterling reserve position. The sterling balances and securities held in the banking and issue departments of the Indian Reserve Bank reached £164,200,000 in the return dated March 21, 1941, the last before the effects of the repatriation impinged on the position of the central bank. By March 28, the total of these sterling reserves had fallen to £108,500,000, the fall of £56,000,000 being the approximate measure of the vested sterling securities held in Great Britain. Since that date, the sterling holdings of the Reserve Bank have been gradually recovering, but the process has been far too slow to

hint at the imminence of another massive repatriation of sterling debt. The return dated May 30 showed the total sterling reserves of the Reserve Bank at £115,700,000, an increase of just over £7,000,000 since the depletion caused by the last vesting order. At this rate of accumulation, some months will have to elapse before another such operation can be attempted. The sterling reserves cannot be denuded below a figure of about £100,000,000, especially as the diplomatic situation in the Far East, together with the shipping position, may between them endanger some of the factors on which the reinforcement of India's sterling reserve position has been built up.

Anglo-International Bank's Capital

The winds of 1940 blew harsh and unkindly for international banking and especially for a bank whose business was by tradition so closely bound with the Continent of Europe as that of the Anglo-International Bank. The report of that institution for last year fully reflects these difficulties. A net loss of £28,630 was incurred, resulting wholly from the realisation of assets. It was added to the debit at profit and loss account, carrying this item to £611,238. The business, which since the beginning of 1941 has been operated by the British Overseas Bank, is being gradually contracted and preparations are being made for a partial return of capital. The chairman's statement which accompanies the report says that, in view of the improvement in the liquid position of the bank and the restriction of its active business, the directors have decided, as soon as certain liabilities can be dealt with, to approach the Court for sanction to a reduction of capital and the return of part of it to shareholders. The latest balance sheet shows this liquefying process already in operation. Balances with bankers in London have risen from £100,000 to £140,000 and British Government securities from £389,405 to £489,941. The main commitments of the Bank are in territories controlled by the enemy. The assets in Germany and countries occupied by Germany at the end of 1940 totalled £518,226, compared with £572,302 a year previously. Assets in Hungary, Yugoslavia and Roumania were £325,015, against £468,167. The value to be attached to these assets is obviously problematical in the extreme.

Argentine Exchange Control

A considerable relaxation in the severity of the Argentine exchange control system has been announced this week. The existing mechanism of that system is apparently to remain intact. The central bank and the Exchange Office will continue to dictate official buying and selling rates while their monopoly of official exchange business remains undisturbed. Trade with the sterling area will continue to be financed through sterling special accounts. The relaxation of the control is to be effected by abolishing the import permit system for a number of goods which normally comprise about 80 per cent of imports into Argentina. These

permits have recently been granted with increasing liberality, but their complete abolition in respect of so great a proportion of Argentine imports will no doubt be followed by both a simplification and expansion in that trade. The decision of the Argentine authorities reflects the considerable improvement which has occurred in the reserve situation. Between the beginning of this year and April 30th, the last date for which a return of the central bank is available, the holding of gold and foreign exchange abroad has risen from 258,000,000 pesos to 302,000,000 pesos, while the holding of gold in Argentina has remained

unchanged at 1,071,000,000 pesos. The strengthening in the reserve position is largely due to an improvement in the balance of trade with the United States, but it is probable that it also reflects some expansion in the amount of sterling held for Argentina in special accounts in London. The disparity in the experience of the South American republics regarding their sterling reserves is so great that it seems unfortunate that it has hitherto proved impossible to merge them all into some composite exchange clearing scheme on the lines of that evolved with the creation of Central American accounts.

Investment

Equities and the Price Level

The stimulus required to release the investment demand, which it was felt must be accumulating despite the savings campaigns, has been provided by the initiative taken in Syria, and Monday of the week now ended saw the most active session for some time. Volume has tended to fall off as the week progressed, but it is still appreciable, and at the time of writing there has been no considerable reverse. The actual movements have been much as expected, namely strength in the Funds and in shares and bonds immediately concerned with the theatre of war, coupled with a selective buying of industrials. It was less clear that miscellaneous foreign bonds would be bought, while the sharp recovery in the developing kaffirs is mainly a reflection of optimism in the Union. The basis is rather wider than might have been expected, but it can all be brought within the terms of a search for yield, which is the main theme of an article on page 795 of this issue. The force of the movement will be determined in large measure by developments in the politico-economic field, and, in particular, by whether a stand is in fact to be made to implement Sir Kingsley Wood's undertaking that prices and wages are to be kept from rising. Every rise in prices will tend to call for additional taxation and also to raise the cost of living, thus providing a double spur to the investor to seek higher yields. Whatever may happen to wages and costs, every effort will be made, by control of retail prices, to minimise the effect on the purchaser, so that the prospects of margins in the consumer trades being maintained, even on the reduced turnover, are none too good, and it is just in these that the EPT cushion is small or non-existent. In the war industries—in the widest definition of that term—the cushion is likely to prevent a fall in earnings, even if the higher rate of tax causes a modest decline in payments, so that, even with EPT 100 per cent and heavy war damage payments to be faced, the present trend favours the war equity. This factor can only be increased in the measure that the stabilisation policy fails of accomplishment.

Canadian Taxation

No final decision appears to have been reached as to the fate of the new 15 per cent tax on dividends and interest on Canadian securities paid to non-residents. The statement of Mr. J. L. Ilsley, Dominion Finance Minister, if correctly reported, suggests strongly that something like the *status quo ante* the Budget announcement is to be restored. The suggestion is that the Federal Government has yielded to pressure from the provinces, of which Alberta and Ontario were suggesting non-co-operation, if exemption of Dominion and guaranteed loan interest from the tax were not extended to them. It is understood that, even if the tax is retained, this concession will be granted. In consequence, the higher impost would apply principally to interest and dividends paid by commercial enterprises. Conversely, it is said that, even if it is decided to go back to the old 5 per cent tax, this will in future be due on payments made in foreign currencies, including, of course, sterling. The matter is one of considerable interest to British holders not only of sterling Canadian securities, but also of non-guaranteed Canadian railway loans and such stocks as International Nickel. The gain to the Dominion Government in taxing British holdings would be a gain in sterling only since, by reducing their payment of Canadian

dollars to British holders, they would diminish *pro tanto* the Government's ability to meet its bills in that currency. The position is, of course, very different for holders in the U.S.A. While no figures are readily available of total holdings outside Canada in various types of stock, it seems open to question whether it would be worth while taxing only holdings in commercial concerns, the more so since discriminatory taxation, usually undesirable, is especially so among those who are attempting to co-operate over a large field.

* * *

Rubber and EPT

It is rather curious that just at the time when rubber plantation companies are protesting against their exclusion from the benefits given to mining companies, with regard to EPT, the shares should be enjoying the first period of activity for a very considerable time. The companies are profiting by steady and heavy demand for rubber at a high price, which makes possible increased dividends in many cases, despite a rather unfavourable base period for EPT. The anxiety of the managements is addressed to the future when, they claim, "all out" tapping will have exhausted their trees, without adding appreciably to their net revenue, while they fear that reserve stocks will last a long time—the longer for the new agreement—so that prices will be depressed. They claim that out of the current increase in revenue, before tax, they should be permitted to retain sufficient to replant exhausted areas. The fear of exhaustion sounds a little odd, if it is intended to refer to existing conditions, for exports are only fixed at 100 per cent of the quotas. That amount is certainly not being shipped, and there is every prospect of a reduction in the percentage. In any case, if the danger is as great as is feared, any additional funds would be better employed in providing for replanting, either with bud-grafts or selected seed, or, perhaps, best of all with part of each, than in increasing distributions. It is, however, relevant to suggest that the industry possesses a reserve for whose use shareholders ought to press, in the radical reorganisation of its management. Ever since the days of the post-1921 movement for "rationalisation" of industry, grouping has been urged upon the plantation industry. It would save in directors' and agents' fees; permit of the better organisation and improve the status of plantation labour forces; economise in matters of finance, and, in general, raise the standing of the industry. It would be regrettable if an industry, which already enjoys Government support for a restriction scheme, were granted further concessions before it had done its utmost to reorganise. But, if a genuine tightening-up were carried out, a part of the resultant benefit should certainly accrue to the companies to the extent necessary to offset any exceptional exhaustion of capital.

Company Notes

Union Castle Earnings

Even on the strictest analysis of Union Castle earnings for the year to December 31, 1940, the resumption of an ordinary dividend, with a 5 per cent payment, is generously covered. Total receipts are shown by the full accounts to have jumped from £347,176 to £831,617, after depreciation and after allocation of £50,000 to tax reserve. The directors

indicate that the rate of depreciation was increased during the past year to the full amount permitted under the war-time scale of the Inland Revenue authorities. Whether or not the total is adequate, £350,000 against £100,000 is transferred to fleet replacement account, bringing the total of this fund, including surplus over book value of tonnage lost and credit on Government tonnage replacements account, to a balance-sheet value of £1,202,511, against £100,000. After estimating as charges against equity earnings the company's fleet replacement provision, the allocation of £50,000 against nil to staff pensions fund and of £52,981 against nil, being the amount written off investments, the 5 per cent dividend is covered by a rate of 8.7 per cent and the carry-forward increased from £188,183 to £238,977. Clearly, the profits position of the company has been revolutionised in the past year. For the current year, as the deputy chairman, Sir Ernest M. Harvey, points out in his speech, circulated with the report, higher taxation and the fact that the company will for the first time feel the full weight of EPT—there were certain non-recurring credits in the 1940 accounts—must trench severely on the surplus available for the ordinary stockholder. The balance sheet shows a decline in fleet, at cost, of more than £2,000,000 to £9,011,705, due in part to the loss of certain vessels. At the outbreak of war, the company had completed an important programme of new construction, re-engining and conversion to oil burning, which contributed to the good result. It is already clear that the replacement cost of these vessels at the close of hostilities will be considerably in excess of normal depreciation standards. The supreme consideration remains that of provision for fleet replacement, and the adequacy of the large provision made cannot be assumed in the absence of full information on the depreciation position. The £1 ordinary stock, at 13s. 3d. ex dividend, offers a yield of £7 10s. 11d. per cent.

* * *

Cable and Wireless Dividend

In view of the strength in recent weeks of the ordinary stock of Cable and Wireless (Holding) it is, perhaps, not surprising that the mere maintenance of the dividend at 4 per cent should have resulted in a fall. No figures are yet available, so that the relation between payment and earnings is a matter of guesswork. It is no exaggeration to say that in well-informed quarters an increased dividend was not expected, and it will hardly be surprising if the full story is rather more encouraging than the dividend. The company's revenue from the investments of the old Cable companies will probably have declined, while that from the Marconi interest should have increased. The payment actually received from the operating company, Cable and Wireless, is unchanged at 4 per cent, of which 2½ per cent is a final. This company will have lost commercial traffic through Government control, but it was commonly assumed that the extension of cheap messages, coupled with a further growth in official business, would mean a larger return before taxation. There is as yet no reason to revise this estimate, and it seems very probable that the clue to the modest size of the payment lies in higher taxation. Indeed, a caveat to that effect was contained in the report of last year. The ordinary stock of the holding company fell two points on the announcement to 64½, at which it gives a return of some £6 8s. 6d. per cent subject to tax.

* * *

Press Profits

Recent results of a varied selection of newspapers indicate that war conditions, in themselves, have had no disastrous effect on profits. The inevitable curtailment in size has, in many cases, enabled economies to be made, while circulations have usually been maintained and advertisement rates increased. The following table analyses earnings and distributions for five groups of newspapers over the past three years. In three cases, those of the *Sunday Pictorial*, *Allied Newspapers* and *Associated Newspapers*, earnings are above the level of two years ago. *Allied Newspapers* record a rise in total profits and, after all expenses, including taxation, equity earnings are up from £144,829 to £174,275. The dividend, which was reduced from 6 to 5 per cent in 1939, is again raised to 6 per cent. The *Daily Mirror* has suffered from the weight of EPT on its own increased earnings and smaller dividends from subsidiaries. Thus profits, after tax, are down from £404,588 for the year to February 28, 1940, to £288,835 last year. The 10 per cent ordinary dividend, reduced from 15 per

cent, is only paid by withdrawing £50,000, previously allocated to contingencies. *Illustrated Newspapers*, issuing luxury products, whose experience has been totally different from that of the general run of daily newspapers, suffered a further decline in profits from £107,341 to £37,724. In general, taxation apart, the following results imply that the war has not made the production of the daily newspaper an unprofitable business.

Company	Total Profits	Earned for Ordinary		Dividend	Present	
		Amount	Rate		Price	Yield
					5s. shares	£ s. d.
<i>Allied Newspapers</i> :*						
Dec. 31, 1938	884,204	144,829	8.0	6		
1939	872,223	115,705	7.4	5	13/8	8 17 9
1940	939,189	174,275	13.9	6		
<i>Illustrated Newspapers</i> :						
Nov. 30, 1938	192,500	47,462	3.4	Nil		
1939	107,341	Dr 22,244	Nil	Nil	—3	Nil
1940	37,724	Nil	Nil	Nil		
<i>Associated Newspapers</i> :†						
Mar. 31, 1939	452,353	378,296	14.1	12½		
1940	407,398	334,018	14.5	12	8/3	7 5 5
1941	476,202	402,542	17.2	12		
<i>Sunday Pictorial</i> :‡						
Feb. 28, 1939	155,726	110,726	10.8	10		
1940	203,643	133,643	14.4	10	15/-	13 6 8
1941	208,709	138,709	16.4	10		
<i>Daily Mirror</i> :§						
Feb. 28, 1939	419,967	239,560	17.9	15		
1940	404,588	226,508	16.9	15	0/3	8 0 0
1941	288,835	89,544	6.4	10		

* After depreciation. † After tax, but before £25,000 to tax reserve for *Sunday Pictorial* in 1940 and 1941, and for *Daily Mirror* Newspapers in 1941. ‡ Amount and rate earned on deferred capital. § £1 ordinary shares.

Considerable anxiety must attach to the problem of maintaining supplies of newsprint, but here the balance sheets in question have very encouraging information to convey. *Associated Newspapers*, it is true, show a fall in stocks from £403,000 to £233,000; the *Daily Mirror*, however, secured an increase from £171,567 to £292,939 and *Allied Newspapers* from £102,000 to £211,000. The *Sunday Pictorial* also realised a small improvement on the year. Present yields show a wide range from some 7.27 per cent for *Associated Newspapers* to some 13.33 per cent for the *Sunday Pictorial*.

* * *

Rubber Trust

It is hardly surprising that income from dividends of Rubber Trust declined moderately in 1940 from £193,880 to £189,798. The 10 per cent dividend paid in the three previous years is maintained, but, as in 1939, equity earnings, amounting to 8.2 against 7.7 per cent, do not cover the distribution. A small increase in the carry-forward from £95,601 to £96,011 is achieved through making a draft of £15,000 on dividend equalisation reserve, against £40,000 in 1939, and crediting £10,000 from taxation reserve no longer required. Since last year's draft has reduced the total of the dividend equalisation fund to £5,000, it is clear that ordinary payments can no longer be maintained from this source and that stockholders may face a reduction unless income from dividends shows a definite improvement. The market value of investments at December 31st last stood at £2,812,398 against £3,171,295 in the balance sheet. No important change has taken place in the distribution of holdings, and the depreciation is at

RIISING VALUES

All Fire Insurances
effected at pre-war,
pre-purchase Tax figures,
should be increased.

THE
LIVERPOOL & LONDON & GLOBE
INSURANCE COMPANY LTD.

is at your service

Head Office, 1 Dale Street, Liverpool, 2 London:
(Chief Office): 1 Cornhill, E.C.5

present fully covered by the total of reserves and carry-forward of some £600,000. The address of the chairman, Mr. H. J. Welch, circulated with the report, provides a detailed account of the vicissitudes of the rubber and tea producing industries in 1940. He points out that, despite loss of markets throughout Europe, the steady absorption of the Allies and the purchase operations of the United States resulted in a continuous rise in the exportable percentage of rubber. The tea position remains more precarious, depending as it does on the possibility of providing shipping facilities. Consumption has been decreased both by rationing and by the loss of the European and other markets, which absorbed some 83 million lbs. annually. Fortunately, Rubber Trust has appreciable holdings outside the plantations industries. The £1 ordinary stock, at 25s. 6d. ex dividend, yields £7 16s. 10d. per cent.

J. Lyons Accounts

The full accounts of J. Lyons for the year to March 31st last, as usual, convey a minimum of information. The decline in profits, struck after all deductions, except directors' fees, from £1,024,623 to £896,710 was already made known by the preliminary statement discussed in *The Economist* of May 31st. After the usual preference allocations, the 20 per cent dividend is covered by 22.4 against 33.0 per cent, leaving the carry forward rather higher at £320,990 against £298,998. The following table analyses the distribution of profits over the past three years:—

	YEARS ENDED MARCH 31		
	1939	1940	1941
Profit	£1,025,690	£1,024,623	£896,710
Directors' fees	13,710	13,171	13,110
Prof. dividends	462,353	462,353	462,353
Prof. ord. div.	28,000	28,000	28,000

Ord., "A" ord., and proportional profit shares:—

Earned.....	521,627	521,099	393,247
Paid.....	417,661	371,255	371,255
Earned %*	30.2	33.0	22.4
Paid %*	22.1	20	20

A.R.P. Provision 100,000
Carry forward 149,154

* On ordinary and "A" ordinary; each proportional profit share ranks for one-fifth of dividend on an ordinary share.

The most encouraging feature of the accounts is the rise in stocks of £418,900 to a balance sheet total of £3,049,375. No doubt an important proportion of the increase in value, and possibly the whole, is to be explained by higher prices, but even stability is highly satisfactory at a time when shortage of the raw materials of catering must be presumed to be the management's most serious handicap. The increase in debtors from £1,098,871 to £1,442,628 appears to reflect

the influence of war damage claims and approximately corresponds to the fall in the balance sheet value of fixed assets, after allowance for depreciation, from £11,504,374 to £10,948,847. General reserve, as before, stands at £2,000,000. Probably the loss through bombing of certain premises will not be an unmixed misfortune at a time when shortage of supplies favours the closing of premises. The £1 ordinary shares, at 79s. 4½d. ex dividend, yield £5 os. 9d. per cent.

ICI Taxation

In an article which appeared in *The Economist* of May 24th an error was made in stating that the accounts of Imperial Chemical Industries did not reveal the full tax provision. This was shown in the Consolidated Income Statement—but not in the tabular form of that statement—as £9,779,867, being income-tax, British and Foreign, EPT and NDC of the parent company and 111 subsidiaries. The two taxes last mentioned absorbed £3,100,000 more than in 1939. We take this opportunity of apologising to the company and to readers for the mis-statement and the resultant error.

VOC Setback

The decline in gross income of VOC from £7,114,798 to £6,623,054 for the year to December 31, 1940, is the first break in the upward trend of receipts since 1935. Net profit, before tax or depreciation, amounts to £2,503,435, against £2,900,459. The setback arises from appreciation of the local currency and reduction in output, sold under contract in terms of the dollar. The tax provision has been reduced from £850,000 to £696,000, but, with depreciation some £15,000 higher at £783,769, equity earnings are reduced, for the fourth year in succession, from £1,281,984 to £1,103,666. Thus, the rate of earnings, at 15.3 against 18.4 per cent, fails to cover the dividend on ordinary and participating preference capital, maintained at 16½ per cent, and the carry forward is substantially reduced from £243,193 to £132,302. No statistics of output or shipments are available, but the directors indicate that capital expenditure, which has declined from £817,551 to £357,034, has been limited to the supply of routine requirements. The balance sheet rise in materials from £1,161,375 to £1,563,623 is stated by the chairman, in his speech circulated with the report, to be represented partly by additional purchases as well as by rising prices. Investments at cost, which have risen from £712,094 to £1,127,235, are slightly below the market value of £1,216,136 at the date of the balance sheet. The rise is accompanied by a drop in cash items from £953,488 to £476,345. On the liabilities side of the account, taxation reserves amount to £1,366,000 out of a total of £2,294,000 for creditors, taxation reserves, bills payable and other liabilities. The 13s. 4d. ordinary shares, at 27s. 6d., offer a yield of £8 3s. 8d. per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

AFTER a poor close before the week-end, due mainly to the unpromising news of the Middle East military situation, sentiment improved strikingly on Monday on news of the British invasion of Syria. Gilt-edged issues, which had been notably depressed on the previous Friday, led the recovery which extended to all sections. The industrial market enjoyed a few good gains and the undertone remained firm. The foreign bond market was on the whole buoyant and more interest in home rails was exhibited than in the previous week.

Before the week-end, losses of ½ in the gilt-edged market were common, being suffered by 2½ and 4 per cent Consols, 3½ per cent War Loan and Local Loans. A number of Indian issues lost ¼ and 3½ per cent Conversion ½. The striking recovery during the current week was most marked among undated issues and

the revival of demand found many jobbers short of stock. At the beginning of the week, the rise was led by 3½ per cent Conversion with a gain of ½, followed the next day by an improvement of ½. Four per cent Funding gained ½ on Tuesday, many other issues rising by ½ and the upward trend was continued in midweek. Both 2½ per cent Consols and 5 per cent Conversion gained ½. In the foreign bond market, Egyptian issues were sold following the bombing of Alexandria, Egyptian Unified losing 1½ at the beginning of the week and Egyptian 3½ per cent 1890 preference 2 points. French railways lost ground as dissatisfaction with the Vichy attitude increased. Both the Midi and Orleans issues were 3 points lower on Tuesday and Seine 4½ per cent bonds dropped 5 points on the same day. Japanese issues consistently improved and there was some support for Chinese 5 per cent stock of 1912. On Tuesday, Austrian 4½ per cent stock jumped 2 points.

A substantial improvement took place in home rails. The ordinary stocks con-

tinued to lose ground in a small way, both before and after the week-end, but on Wednesday Great Western ordinary improved 1½ points and LMS ordinary ½. The senior issues were firmer, although LMS and Great Western debentures were both lower on balance and London Transport issues were also out of favour. Among foreign rails, Canadian Pacific ordinary was in demand and the preference issues on Monday reversed a pre-week-end loss of ½.

Price movements in the industrial market were irregular and, after Monday's improvement, business was not on a large scale. The motors and aircraft section found favour, Dennis, Austin, Morris and Rolls-Royce all gaining moderately. Among breweries, Bass, Barclay Perkins, and Ind Coope were offered and interest was rather slight. Electrical issues remained in favour, W. T. Henleys, Callenders Cable, and GEC all gaining a few pence, but buyers were discouraged by the stability of the Cable and Wireless dividend, and the

(Continued on page 801)

Industry and Trade

The Cement Report

The report of the Committee on Cement Production, set up on January 4th, has now been published (Cmd. 6282). The Committee was asked "to consider and report to the Minister of Works and Buildings whether having in mind the probable demands for cement in meeting current needs and in post-war reconstruction, and taking into consideration economic, strategic and other factors affecting the allocation of cement, new cement works should be established, existing ones extended or old plants modernised, and if so, what general considerations, financial, geographical and economic should apply." Since the quantity of cement used during the war is limited by the labour force available in the building and civil engineering industries, the Committee reached the conclusion that consumption is not likely to exceed 6 million tons per annum, or to attain last year's level of 6,764,049 tons until after the war. And, as the cement industry is in a position to produce at the rate of 7½ million tons per annum with its existing labour force, the Committee is of the view that supplies of cement will be ample to meet all needs, including exports, during the war period; last year's shortage was not general but local, due to the temporary coupon system and to transport difficulties. With an adequate supply of labour,

it is estimated that the industry will be able to produce cement at the rate of 9 to 10 million tons per annum after the war. The Committee therefore concludes that the existing works, together with the projected extensions, should be adequate to meet the greatest demands that might arise during the first two years after the war. But it also suggests that, if a further expansion of capacity should become necessary after the war, the Ministry should take steps "to ensure that no undue pressure is exercised by the established manufacturers to prevent the setting up of new works which are in themselves an economic proposition."

Clothes Ration Concessions

The necessity for secrecy before the announcement of clothes rationing—and though there is alleged to have been some local leakage, Mr Lyttelton's claim that the secret was well kept is certainly justified—prevented previous discussion with the trade. That in the absence of such discussion some anomalies were bound to arise was freely recognised by the Board of Trade, which has shown a sympathetic attitude to the representations made to it. Those who knit garments as personal gifts for members of the Forces are at present unable to obtain wool without coupons, and a

(Continued from page 800)

ordinary shares of the Holding company dropped 2 points on the announcement. Iron and steel shares were moderately in demand and small gains were general, extending to Babcock and Wilcox, Guest Keen, Wm. Cory and Tube Investments as well as other leading issues. Tuesday saw a marked recovery in the demand for textile shares, but here, too, price gains were small. In the tobacco group, BAT and Imps were again in favour and among miscellaneous issues, Associated Portland Cement, Dunlops, ICI and Boots attracted attention. Shipping reacted after the progress of the previous week, but losses were not considerable.

The market in *kaffirs* responded readily to news of the invasion of Syria and gains were general. Among developing mines West Wit. Areas enjoyed a rise of ½ on Monday. Johnnies lost ½ on Tuesday after an initial gain of the same amount, but Sub Nigel and Venterspost were substantially higher. Tin shares suffered from moderate selling, South Tronoh and Mawchi both losing ground. The rubber market was quieter than in the previous week, but a few issues, including Allied Sumatra, Linggi and Bukit Rajah, continued to improve. In the oil market, satisfaction with the improvement in the military situation was responsible for gains in Anglo-Iranian, Burmah and Shell Transport ordinary on Tuesday. Canadian and Mexican Eagles were also higher and, among Trinidad issues, Leaseholds improved ½ on the same day. On Wednesday business was on a smaller scale, but the demand for Anglo-Iranian and Shell Transport ordinary was well maintained.

"FINANCIAL NEWS" INDICES

1941.	Approx. Total Bargains in S.E. List.	Corres. Day 1940.	Security Indices.	30 Ord. shares.*	20 Fixed Int.†
June 5...	2,195	2,603	69.9	128.7	128.6
" 6...	2,411	2,704	70.1	128.5	128.5
" 9...	3,068	2,803	70.3	128.6	128.6
" 10...	2,805	2,323	70.6	128.6	128.6
" 11...	2,735	2,320	70.9	128.6	128.6

* July 1, 1935 = 100. † 1923 = 100. 30 Ordinary shares, 1941: highest, 73.7 (Jan. 17); lowest, 66.3 (Apr. 24). 20 Fixed Int., 1941: highest, 129.3 (May 28); lowest, 126.1 (Jan. 2).

New York

The critical state of the war in the Middle East and the strike position at home necessarily restricted business on Wall Street both before and after the week-end. In the circumstances, the absence of a definite setback reflects a firm undertone. After news of the British march into Syria and the improvement in the labour position prices tended to improve on Tuesday, but the tone again turned hesitant toward the close. Steel and motor issues generally gained fractionally during the improvement and industrial issues were also favoured. Rails and utilities remained quietly firm. In midweek, after an optimistic opening, dealers reverted to a cautious attitude and business fell away.

The Iron Age estimates steel mill activity at 100.0 per cent of capacity, against 99.5 per cent in the previous week.

STANDARD STATISTICS INDICES

(1926 = 100)

WEEKLY AVERAGES

	1941		May 21, 1941	May 28, 1941	June 4, 1941
	Low	High			
347 Industrials	83.6	86.0	86.3	84.9	85.5
32 Rails	225.4	228.0	224.4	226.2	226.5
40 Utilities	697.0	78.7	67.6	67.0	69.3
419 Stocks	71.9	68.2	73.5	72.5	73.3
Av. yield*	6.80%	6.13%	6.08%	6.80%	6.77%
	(c)	(d)	(e)		

* 50 Common Stocks. (a) Jan. 22. (b) Jan. 8. (c) Feb. 11. (d) Feb. 18. (e) May 28.

DAILY AVERAGE 50 COMMON STOCKS

May 29	May 30	May 31	June 2	June 3	June 4
92.1	(a)	91.8	91.9	93.0	92.8
1941 High: 106.80, January 10. Low: 90.70, April 30. (a) Memorial Day.					

New York Prices

Total share dealings: June 5, 800,000; June 6, 330,000; June 7, 180,000; June 9, 440,000; June 10, 820,000; June 11, 540,000.

* Two-hour session.

	Close June 3, 1941	Close June 10, 1941	Close June 17, 1941	Close June 24, 1941
1. Railroads.	8, 10, 1941	1941	1941	1941
Balt. & Ohio.	34	38	Chrysler	56 1/2
Gt. Nthn. P.	25 1/2	26 1/2	Curt. Wr. "A"	27 1/2
Illinois Cent.	7 1/2	7 1/2	Eastman Kodk	123 1/2
N.Y. Cent.	12 1/2	12 1/2	Gen. Elec.	29 1/2
Northern Pac.	6 1/2	6 1/2	Gen. Motors	37 1/2
Pennsylvania	24 1/2	24 1/2	Inland Steel	70 1/2
Southern	12 1/2	12 1/2	Int. Harvest.	49 1/2
2. Utilities, etc.			Int. Nickel	24 1/2
Amer. Tel.	154	160 1/2	Liggett Myers	80 1/2
Amer. Wks.	4 1/2	4 1/2	Nat. Dairy	13 1/2
Pac. Light.	32 1/2	33	Nat. Distillers	18 1/2
Pnb. Sv. N.J.	22 1/2	21 1/2	Nat. Steel	49 1/2
Sth. Cal. Ed.	22 1/2	23 1/2	Proct. Gamble	60 1/2
United Gas	6 1/2	7	Sears Roebuck	17 1/2
3. Commercial and Industrial.			Shell Union	14 1/2
Amer. Metal.	17 1/2	17 1/2	Std. Oil N.J.	37 1/2
Amer. Roll. M.	13 1/2	14 1/2	20th Cen. Fox	6 1/2
Am. Smelting	40 1/2	40 1/2	U.S. Steel	54 1/2
Anaconda	28 1/2	27 1/2	West. Union	27 1/2
Briggs	19 1/2	19 1/2	Woolworth	27 1/2
Celanese of A.	20 1/2	22 1/2	Yngstn. Sheet	33 1/2

Capital Issues

	Week ending June 14, 1941	Nominal Capital £	Conversions £	New Money £
To the Public		Nil	.....	Nil
To Shareholders		Nil	.....	Nil
By S.E. Introduction		Nil	.....	Nil
By Permission to Deal		30,000	.....	43,225
Nat. Savings Certs.		5,013,176	.....	5,013,176
3% Defence Bonds(a)		5,587,000	.....	5,587,000
2 1/2% Nat. War Bonds†		Nil	.....	6,050,404
Ditto, 2nd issue† (w)		6,050,404	.....	6,050,404
3% Savings Bonds† (t)		5,968,766	.....	5,968,766

* Week to June 3, 1941. Total sales, Nov. 22, 1939, to June 3, 1941, £302,827,898. † Week to June 3, 1941, making total since June 25, 1944, £440,301. (a) Total sales to June 3, 1941, £226,381,000. (t) Total sales to June 3, 1941, £184,217,588. (w) Total sales January 2, 1941, to June 3, 1941, £292,111,881.

Year	Including Conversions	Excluding Conversions
1941 (New Basis) ..	780,640,188(a)	681,105,606(a)
1940 (New Basis) ..	790,989,815	438,033,882
1941 (Old Basis) ..	729,776,970(a)	681,242,388(a)
1940 (Old Basis) ..	816,473,765	423,718,632

Destination (Conversions Excluded)

Year	U.K.	Brit. Emp. ex U.K. Countries	Foreign
'41 (New Basis) ..	(a) 678,483,267	2,022,339	Nil
'40 (New Basis) ..	437,270,670	763,012	Nil
'41 (Old Basis) ..	(a) 678,742,388	2,500,000	Nil
'40 (Old Basis) ..	415,422,676	142,450	Nil

Nature of Borrowing (Conv. Excl.)

Year	Deb.	Pref.	Ord.
'41 (New Basis) (a)	679,135,061	166,960	2,803,515
'40 (New Basis)	423,609,696	1,170,255	13,233,731
'41 (Old Basis) (a)	678,742,388	Nil	2,500,000
'40 (Old Basis)	422,704,500	77,500	856,632

"Old Basis" includes public issues and issues to shareholders. "New Basis" is all new capital in which permission to deal has been granted. (c) £2,950,000 deducted for Repayment National Savings Certificates, 5 weeks to May 31, 1941.

similar problem arises in respect of the purchase of garments for prisoners of war and for children evacuated overseas. Concessions in respect of all these are promised. The difficulty of expectant mothers in obtaining material for making baby-clothes is to be met by the issue of extra coupons upon the production of a medical certificate. Special arrangements have been made for fitting out merchant seamen and fishermen without coupons. A particular difficulty arises in respect of nurses, whose regulation outfit requires far more than 66 coupons, and of members of the Services and civilians attached to the Army, holding Service ration cards. For the time being this is to be met by the supply of goods coupon free to members of the Services and to civilians attached to the Army, upon signed statements that the garments are for their essential personal requirements. This also applies to the women's services and to the Army, Navy and Air Force nursing services, but the position of other nurses has not yet been cleared up. The acting profession, both film and stage, and the ballet, are very awkwardly placed. It has already been stated that for the sake of export, a concession will be made to the film industry, and it seems likely that the originally adamant attitude of the Board of Trade in respect of ballet shows will be modified. Owing to the direct incentive given by the system to the purchase of durable goods, the clothing and footwear trades are much concerned for their stocks of light summer footwear and dresses. The Board of Trade has hinted that it may allow these to be released, coupon free, for a limited period. If the problem of definition could be solved it might be better permanently to reduce the number of coupons required for such purchases. This would prevent "hogging," and make for more level-headed buying. It is quite evident that the Board of Trade is out to remove every legitimate grievance as soon as it can find a way. The only complaint to which it is inclined to turn a deaf ear is that of the home dressmaker. This has probably been a good deal exaggerated. A woman of normal size can save coupons by making her own clothes, provided the style is not too lavish in material, which in war-time it should not be encouraged to be. Owing to the lower rate at which children's coupons are calculated, the home manufacture of their clothes will be discouraged. This is extremely unfortunate, but it is difficult to see how it can be remedied without giving loopholes for abuse.

The German Wardrobe

An exact comparison of British and German clothes rationing is made impossible, both by the big differences in quality, and by the wide variations in habits of dress. The following tables show the number of coupons required for each garment in this country, and the percentage which this forms of the total ration. The corresponding percentage is given for Germany, but this is worked out on the basis of the card which expired last March, as the current card, though not altering the total ration, makes allowance for quality. Boys and girls aged 4-14 have separate cards, and children of 2 and 3 have cards with fewer points.

CLOTHING RATION OF MEN AND BOYS

	Great Britain				Germany	
	Men		Boys		Men	Boys
	Coupons	Per cent.	Coupons	Per cent.	Per cent.	Per cent.
Unlined macintosh or cape...	9	13.6	7	10.6	25	15
Lined macintosh or overcoat...	16	24.2	11	16.7	50	30
Coat, jacket (blazer)...	13	19.7	8	12.1	32	15
Waistcoat...	5	7.6	3	4.5	8	5
Pullover (cardigan, jersey)...	5	7.6	3	4.5	30	15
Trousers (breeches, kilt)...	8	12.1	6	9.1	20	9
" (of fustian or corduroy)...	5	7.6	5	7.5	—	—
Shorts...	5	7.6	3	4.5	15	9
Overalls, dungarees...	6	9	4	6.1	—	—
Dressing gown, bathing gown...	8	12.1	6	9.1	25	15
Night shirt...	8	12.1	6	9.1	30	18
Pyjamas...	8	12.1	6	9.1	—	—
Shirt or combinations (woollen)...	8	12.1	6	9.1	—	—
" (other material)...	5	7.6	4	6.1	20	10
Pants...	—	—	—	—	15	8
Vest...	4	6.1	2	3	25	8
Bathing costume...	—	—	—	—	—	—
Child's blouse...	—	—	—	—	—	—
Other undergarments...	—	—	—	—	—	—
Pair of socks...	3	4.5	1	1.5	5	2
" stockings (bathing trunks)...	—	—	—	—	—	—
Collar or tie...	1	1.5	1	1.5	—	3
Two handkerchiefs...	1	1.5	1	1.5	—	4
Scarf or pair of gloves (or mittens)...	2	3.0	2	3.0	7	5
Pair of slippers or goloshes...	4	6.0	2	3.0	—	—
Boots or shoes...	7	10.6	3	4.5	—	—
" leggings, gaiters or spats...	3	4.5	2	3.0	—	—

The German cards have a small number of additional coupons for such things as sewing materials. Additional cards with one-third of the total points are issued for boys and girls between 13 and 17. In every single instance the percentage of the total ration which must be used to buy any given garment is higher in Germany than in this country. For example, a suit and two cotton shirts represent a year's ration for a man in Germany. In Great Britain they take 54.6 per cent. of it, leaving enough coupons for two pairs of

CLOTHING RATION OF WOMEN AND GIRLS

	British				German	
	Women		Girls		Women	Girls
	Coupons	Per cent.	Coupons	Per cent.	Per cent.	Per cent.
Lined macintosh or overcoat (blazer), short coat...	14	21.2	11	16.7	35	25
Dress, woollen...	11	16.7	8	12.1	25	15
" other materials...	11	16.7	8	12.1	40	20
Gym. tunic or skirt with bodice...	8	12.1	6	9.1	25	15
Blouse...	—	—	—	—	15	8
Sports shirt...	5	7.6	3	4.5	8	4
Cardigan or jumper...	—	—	—	—	25	12
Skirt, divided skirt...	7	10.6	5	7.6	20	10
Slacks...	5	7.6	3	4.5	—	—
Shorts...	5	7.6	3	4.5	—	—
Furs, ties, etc...	5	7.6	3	4.5	—	—
Overalls, dungarees...	6	9.0	4	6.1	—	—
Apron or pinafore...	3	4.5	2	3.0	12	6
Pyjamas...	8	12.1	6	9.1	25	15
Nightdress...	6	9.0	5	7.6	18	12
Petticoat, slip, combinations, cami-knickers...	4	6.1	3	4.5	15	8
Pair of stockings...	2	3.0	1	1.5	4	5
Pair of socks...	1	1.5	1	1.5	4	3
Collar, tie, pair of cuffs...	1	1.5	1	1.5	—	—
Two handkerchiefs...	1	1.5	1	1.5	2	2
Scarf, gloves (mittens, muff)...	2	3.0	2	3.0	5	5
Goloshes...	4	6.0	2	3.0	—	—
Slippers, bows, shoes...	5	7.6	3	4.5	—	—
Leggings, gaiters...	3	4.5	2	3.0	—	—

† Not provided for; in most cases because not in common use. * Requires special permit. Items in brackets occur in British list, but not in German.

shoes, two sets of underwear, two pairs of socks, and half a dozen handkerchiefs. Moreover, all these are of more durable quality. As time goes on it may be that the British will accept the necessity of a smaller ration. Meanwhile there is something to be said for the present policy of beginning with a fairly generous allowance, or those people who were already exercising the strictest economy would have been heavily penalised.

Essential Work Order for Building

In order to conserve the labour forces of building and civil engineering, and to speed up the construction of aerodromes, factories and other essential buildings, the Essential Work Order has been applied to these industries. By the Order it will be possible to schedule not only individual undertakings, but also individual building sites. Apart from curtailing the right of employers to discharge workers and of workers to leave their jobs, the Order lays down a special procedure to deal with absenteeism, unpunctuality and "behaviour impeding production." In view of the high turnover of labour in the constructional industries, the application of the Essential Work Order to them was unavoidable. With the collaboration of the building operatives, it should now be possible to prevent the delays which have hitherto often impeded speedy production. As in the case of the other industries to which the Essential Work Order has been applied, the Essential Work (Building and Civil Engineering) Order carries with it various concessions to the operatives, including a guaranteed minimum wage. The Order also provides for an increase in the mobile "squad" of building operatives that can be sent to any part of the country at short notice.

Standard Doors

The point has often been made that labour and materials should be economised by standardising, as far as possible, the production of civilian goods and of military equipment. The British Standards Institution has already done good work in assisting this process. The Ministry of Works and Buildings, in close collaboration with the B.S.I., is now actively engaged in exploring the possibilities of standardising the building materials used by the various Government Departments. On June 6th the B.S.I. issued the first of a series of war emergency standards for building materials. The specification concerned relates to doors, and it has been issued to all Government Departments and

contractors supplying them. It is to be hoped that the process of standardisation will be speeded up, not only in the case of building materials, but also in other industries. Wasteful methods of production can no longer be condoned.

Coastal Shipping

Although coastal tramp shipping has not been generally requisitioned, it is subject to licensed voyages and controlled rates of freight which are designed to fulfil the same conditions that govern requisition rates. The rates in the principal trades are determined according to a system of average values, average costs and average times on voyages, and are supposed to cover operating costs and allow the usual balance of 5 per cent on ship values for depreciation and 5 per cent for interest. The trouble is that with conditions varying from day to day and influenced by many factors that do not affect owners of requisitioned ships, such a system cannot work out with complete fairness, particularly as the majority of individual fleets in the coastal trade are too small to be able to spread the effects of bad luck—a series of protracted voyages, for example—in the case of one or two ships. To overcome these difficulties a compensation fund scheme is being worked out by the shipowners, in conjunction with the Ministry of War Transport. This was revealed at the annual meeting on June 10th of the British Motor and Sailing Ship Owners' Association. The plan is to form a fund out of the earnings of un requisitioned vessels on which owners who have suffered hardships will be able to make a claim for compensation on an agreed basis. It has the merit of self-help—among, incidentally, the most individualistic group of shipowners—and is a welcome alternative to a claim for higher rates to cover contingencies.

Farm Wages

The representatives of the farm workers on the Central Agricultural Wages Board have now put in a claim for a national minimum wage of 60s. a week. The Board is still deliberating on this request, and it seems likely that negotiations will be prolonged. It is clear that existing prices for farm products do not justify a further increase in wages of this magnitude, and that a 60s. wage could only be paid if the Government is prepared to raise agricultural prices accordingly. But since a corresponding increase in retail food prices would jeopardise the policy of stabilising the cost-of-living index which was announced so firmly by the Chancellor of the Exchequer last April, a new increase in the national minimum wage can only be provided by an addition to the already large Treasury subsidies to the Ministry of Food. Now, it is true that agricultural wages are still low compared with those in some other trades, but what is more relevant to the present circumstances is that the increase in farm wages since the war has been greater than those in almost any other industry. Last summer, minimum wages were raised by one stroke from an average of about 34s. a week to 48s., an increase of about 40 per cent, and earnings have certainly risen more, owing both to increased overtime and to the shortage of skilled men, who can usually command wages considerably above the minimum. The question before the Central Wages Board is, therefore, not whether farmers can afford to pay higher wages, but whether a small section of the community, which has already obtained a substantial (and probably justified) improvement in its standard of living, shall in wartime still further improve its relative position at the cost of the general taxpayer. And, seen in this perspective, the decision is not one for the Central Wages Board at all; the decision should be made by the Government in accordance with that general policy of stabilising incomes which should be the necessary corollary of its policy of stabilising the cost of living.

COMMODITY AND INDUSTRY NEWS

THE London Metal Exchange held a meeting on June 6th to consider the position involved by a questionnaire which the Ministry of Supply recently sent to certain firms. The questionnaire asks, *inter alia*, for information on tin holdings, location and names of proposed buyers. The Metal Exchange decided,

since not all firms have received the questionnaire, to ask the Ministry its reasons for wanting the information, before giving the answers. Tin prices recovered during the week, cash rising to £268 10s.-£268 15s. per ton on Monday, with the forward quotation at £269-£269 5s. The recovery, however, was

not maintained, and on Wednesday cash closed at £266-£266 5s. compared with £265-£265 5s. a week earlier; three months tin was £267-£267 5s. compared with £265-£265 5s. The rubber market has been quiet of late; spot smoked sheet closed at 13½d. per lb. on Wednesday. (Continued on page 809)

American Rubber Supplies

Details were published in London this week of the third rubber reserve agreement between the United States' Government, acting through the Reconstruction Finance Corporation and the Rubber Reserve Co., on the one hand, and the International Rubber Regulation Committee, on the other hand. By this agreement another 100,000 tons of rubber are to be delivered to the United States Government for its strategical rubber reserve. As in the second agreement, the price for this rubber has been fixed at not less than 17 cents and not more than 18½ cents per lb free on board Asiatic ports, and the additional 100,000 tons are again to be purchased on the open market. The new agreement, however, differs in one important respect from the two previous agreements signed in July and August, 1940. It does not fix the period within which the rubber is to be supplied. In other words, the agreement gives the International Rubber Regulation Committee the opportunity of preventing sudden and serious reductions in the export quotas under the international rubber scheme when the delivery of the 330,000 tons of rubber under the first two agreements with the United States Government has been completed at or around the end of this year. The 100,000 tons under the third agreement will probably be made available in 1942 and will almost certainly be released gradually in order to secure a step by step adjustment of export quotas to actual market requirements. Without the new agreement the quota would have had to be cut very sharply after the end of this year as current world consumption of rubber scarcely exceeds 1,000,000 tons per year, while present supplies under the 100 per cent quota are as high as 1,500,000 to 1,600,000 tons per annum. Apart from the 330,000 tons of rubber covered by the first two reserve agreements—delivery should be completed by, or shortly after, the end of this year—the American Government holds about 90,000 tons of rubber, supplied to its reserve by the British Government under the rubber-cotton barter scheme concluded a few months before the outbreak of war. In addition, consumers in the United States hold substantial reserves of rubber, so that the country's vital requirements seem assured for at least one year, especially as measures have already been prepared to reduce civilian consumption if required.

Although its rubber stocks are thus substantial, the American Government has taken steps to supplement them by synthetic rubber in an emergency. Three weeks ago Mr Jesse Jones, the United States Federal Loan Administrator, announced that the Government, through the Reconstruction Finance Corporation, has made available \$5,000,000 for the construction of four synthetic rubber plants. These plants, which are to be managed for the Government by the U.S. Rubber Corporation, the Goodrich, Goodyear, and Firestone concerns, will have an initial annual capacity of 2,500 tons each, but this is to be extended as soon as practical experience with large-scale production is available. This move followed a close study of synthetic rubber production in Germany and Russia by the United States Department of Commerce and the United States Bureau of Standards. For the time being it must be regarded as an emergency move which may not be extended if the shipping routes between the United States and the Eastern rubber producing countries can be kept open. Like the new reserve agreement, however, it shows that the United States Government is anxious to leave nothing undone to secure its rubber supplies under all conditions. And while the encouragement of the production of synthetic rubber may cause some concern to the plantation industry, the United States can hardly be criticised for preparing for contingencies.

COMPANY MEETINGS

DUNLOP RUBBER COMPANY, LIMITED

NET PROFIT OVER £3,000,000

HEAVY TAXATION CHARGES

HOME TRADING WELL MAINTAINED

SUBSTANTIAL ADVANCE IN EXPORT BUSINESS

SIR J. G. BEHARRELL'S STATEMENT

The forty-second ordinary general meeting of the Dunlop Rubber Company, Limited, was held, on the 10th instant, at the Café Royal, London.

Sir J. George Beharrell, D.S.O., the chairman of the company, presided.

The secretary (Mr Charles Tennyson, C.M.G.) read the notice convening the meeting and the report of the auditors.

The following review of the year's operations by the chairman was taken as read:—

Following what is now becoming a common practice amongst companies with large numbers of shareholders, I am circulating this statement with the directors' report and accounts, and it will take the place of my usual speech at the annual general meeting of the company.

Your board felt that a large proportion of the shareholders would be engaged on work of national importance, which they would not wish to interrupt in order to attend a meeting, and that many might think it contrary to the Government's injunctions against unnecessary travelling if they were to journey to London for the purpose.

For reasons which will occur to all of you, my statement will, of necessity, be much less full than in previous years.

SIR CLIVE BAILLIEU'S APPOINTMENT

First, I would like to refer to the appointment of Sir Clive Baillieu, one of your directors, as Director-General of Munitions Supply in the United States, representing the British Government. His colleagues miss his collaboration and advice in the difficult problems with which present conditions confront them, but you, as well as they, will feel honoured that he has been chosen to take so important a part in the country's war effort. Your board felt sure the granting of the necessary leave of absence to Sir Clive would have your cordial approval.

When I last addressed you the conversion of our national economy from a peace to a war basis was still in a comparatively early stage, but the tendency, as the war went on, for trading conditions to become more and more abnormal was fully foreseen. Since that time the Purchase Tax, the Limitation of Supplies, and Control of Materials have been brought into effect. In all these circumstances it is very satisfactory that, as you will see from the directors' report and accounts, we have been able to more than maintain in 1940 the good trading results of 1939.

FACTORIES FULLY OCCUPIED

Our factories in this country have been fully occupied, many branches of our normal business, in which we expected a heavy decline, including our export trade, having held up remarkably well. Indeed, our export business actually showed a substantial advance in earnings on the preceding year.

The price of rubber and the percentage of quota releases obtaining throughout the year enabled the Dunlop Malayan Estates Company to show a substantial profit, and in spite of the heavy provision which had to be made for United Kingdom Excess Profits Tax, Dunlop Plantations, Limited, which, you will remember, owns all the shares in Dunlop Malayan Estates, Limited, was able to pay a dividend on its preference shares and to repay the Dunlop Rubber Company part of the amount paid by that company under its guarantee in previous years.

ASSOCIATED MANUFACTURING COMPANIES' RESULTS

Our associated manufacturing companies in British overseas territories also showed satisfactory results, though the profits in South Africa were less than in the preceding year. The American

Dunlop Company again made a profit, though this was smaller than in 1939.

The Japanese Dunlop Company was able to remit the dividend in respect of the year 1939. The sales turnover of that year was maintained in 1940 and a dividend at the same rate as last year declared, but we do not yet know whether a permit will be granted to remit this.

It is a melancholy thought that the French Dunlop Company, in which your company hold a large interest and which was so important an outpost of British trade on the Continent, has now to be treated as an enemy company, and, of course, I am unable to give you any information regarding its progress and position.

INDUSTRY'S HUGE CONTRIBUTION TO THE WAR EFFORT

There are certain points in connection with the accounts which I should like to amplify.

The net profit for the year amounted to £3,002,000, compared with £2,853,000 in 1939.

The provision for taxation amounted to £1,742,000, which represents an increase of £715,000 over that for the preceding year. In addition to this, in accordance with the policy decided upon last year, the board has provided £650,000 towards the 1941-42 income-tax liability.

This does not represent the whole burden that the Dunlop Group of companies has had to bear, as the charge for taxation in the accounts of the subsidiary and sub-subsidiary companies amounted to £1,666,000. The total provision for the year under review amounts, therefore, to £4,058,000, compared with £2,388,000 for the previous year, an increase of £1,670,000. The total provision for 1938 was only £820,000. These figures are not given by way of complaint, but industry's huge contribution to the war effort through taxation has to be stated to ensure its proper appreciation.

This great increase has inevitably made a heavy inroad upon the balance of profits available for distribution. After providing for the preference dividends, the board decided to recommend a dividend of 8 per cent. on the ordinary stock and a bonus of 2 per cent., and this dividend and bonus, if approved, will be paid on June 21st.

SUBSTANTIAL RESERVES BUILT UP

For the first time for many years the board has not been able to make any allocation of available profits to increase the reserves of the company, except the special income-tax reserve towards the succeeding year's liability. It is fortunate that the board was able to build up substantial reserves in the past, as during the war there seems little possibility of any large undertaking building up further its financial strength. Upon the termination of the war, however, the company may become entitled to a refund of 20 per cent. of the Excess Profits Tax paid, subject to the deduction of income-tax at the rate then in operation.

For the reason given in the directors' report, the board has transferred to the special reserve against investments in and advances to subsidiary companies the sum of £1,000,000 from the general reserve and £250,000 from the reserve for contingencies. This special reserve now stands at £3,250,000, which sum, in the opinion of the board, is fully sufficient to provide for all contingencies that can now be foreseen.

THE CONSOLIDATED STATEMENT

In view of the full information given in the directors' report and accounts, I do not propose to deal with the accounts in further detail.

THE STRENGTH OF THE ORGANISATION

I would, however, like to call your attention to the consolidated statement of assets and liabilities, which you will find on pages 10 and 11 of the accounts. It was a matter for serious consideration whether or not to continue this during the present abnormal times. Your company was one of the leaders in providing this informative statement, and your board hope to be able to continue its publication. It is, however, important that its limitations under present conditions should be fully understood.

WAR CONDITIONS AND THE COMPANY'S ORGANISATION

I know you will wish to hear something of the way in which the company's organisation is standing up to war conditions.

In the first place, I should like on your behalf to convey a very special message of thanks to the company's employees of all grades who had throughout the year to contend with unexampled difficulties.

The call for ARP workers has been heavy and has met with a magnificent response. The effect of the black-out in factories and offices is very trying.

Much new labour has had to be trained and there has been a large substitution of men by women.

ALL DIFFICULTIES MET WITH LOYALTY AND CHEERFULNESS

Our staff has been seriously depleted by the demands of the fighting forces, and has had to grapple with a great volume of additional work imposed on it by the vast mass of emergency legislation. All these difficulties have been met with loyalty and cheerfulness.

With the company's co-operation the employees at our various factories are providing funds, generally by deductions from wages, for the assistance of those of them who suffer from air attack.

"SPITFIRE" PURCHASED BY FORT DUNLOP EMPLOYEES

The employees at Fort Dunlop organised a collection for the purchase of a "Spitfire," and the money raised, with an additional contribution voted by your board, was used to purchase, through the Motor Industry Fighter Fund, a fighter aircraft, which has been christened "Pericles," after the Prince of Tyre, whose name is familiar to students of Shakespeare.

Results for the War Savings Scheme, of which I told you last year, improved as the year progressed, and we hope to bring about still further improvement this year.

OVER 2,600 EMPLOYEES IN THE FORCES

Over 2,600 employees of the company are now serving in the fighting and whole-time civil-defence forces. A number have been promoted to commissioned rank, some have lost their lives, and I am sure that it will be the wish of members to record a sincere expression of sympathy with the relatives of the fallen.

This is not the place to mention the distinctions which have been awarded to Dunlop employees for gallantry and good service, but an opportunity for doing this will be found later.

I know you will be glad to learn that the board was able to continue the scheme for making financial allowances to employees called up on active service. Although such arrangements must obviously be related to our resources and subject to adjustment when necessary, the board consider this scheme to be in the broadest sense in the best interests of the company.

CONTINUANCE OF RESEARCH AND TECHNICAL DEVELOPMENTS

We have not permitted the war to restrict our research and technical developments; but, on the contrary, our technical staffs have actively co-operated with the Services, and when peace returns we shall secure considerable advantage from the experience gained.

You will realise how exceedingly difficult the processes of distribution have become. Such measures as the Purchase Tax, the Limitation of Supplies, and the Prices of Goods Act have provided many complications, and, in addition, new and strange conditions occur in the distributive field from week to week and sometimes themselves admirably to the unusual circumstances, and I believe that their resource is assisting to increase the company's prestige and goodwill with both trade and public.

Our branches in the field have not been free from disturbance, but no occurrence has been allowed seriously to delay the distribution of our products, and this is a significant tribute to the strength of our organisation. Much excellent and courageous work has been done by our staffs in minimising damage to our property and stocks.

In concentrating upon essential work your company is sometimes unable promptly to meet all the requirements of what may be termed the "civilian market," but from all quarters we have received a ready recognition of the circumstances. Here I should like to express upon your behalf the company's keen appreciation of the co-operation afforded by all branches of the many trades with which we are connected.

Our difficulties in the coming year are not likely to be less than in the year that has passed. There is no doubt that the activities of British industry generally will be more and more determined by the conditions resulting from the war and more and more subjected to Government requirements.

THE BOARD'S PARAMOUNT DUTY

I am sure you will all agree that the board's paramount duty is to preserve the company's assets and liquid position and to keep the organisation at the highest pitch of efficiency. This will not only render possible the utmost service in the national interest during the present emergency, but will also ensure that after the war we shall be able to maintain and advance still further the pre-eminent position of your company in its many fields of activity.

The chairman moved: "That the report and accounts for the year ended December 31, 1940, be approved and adopted, that the dividends already paid on the preference shares be approved, and that the following dividend be declared—namely, a dividend at the rate of 8 per cent., plus a cash bonus at the rate of 2 per cent., on the ordinary stock, such dividend and bonus to be payable on June 21, 1941."

Sir S. Hardman Lever, Bart, K.C.B., seconded the resolution, and, after the chairman had replied to a shareholder's questions, it was carried unanimously.

The chairman next moved the re-election of the retiring director, Sir Alexander Gibb, G.B.E., C.B.

This was seconded by Mr F. Alexander Szarvasy and unanimously approved.

The auditors, Messrs Whinney, Smith and Whinney and Messrs Stokes Brothers and Pim, were reappointed.

VOTE OF THANKS

Colonel F. H. Smith: Ladies and gentlemen,—I hope this meeting will not separate before we, on this side of the table, have expressed our thanks to our worthy chairman and the directors who have brought us through a very anxious year, I think, with conspicuous success. (Hear, hear.) I am sure that it is also the desire of all the shareholders to confirm what you, sir, have stated in your report as to our indebtedness to the staff. In many cases there have been severe calls on the man-power of particular departments, but the others have maintained the *esprit de corps* and also the output, and I think they deserve special thanks from the shareholders. (Hear, hear.) I should therefore like to say that we associate with our thanks to you the hope that you will convey on behalf of the shareholders deep appreciation of the way in which the work of the undertaking has been maintained during a very difficult period. (Applause.)

The vote of thanks was unanimously accorded.

CHAIRMAN'S REPLY

The chairman: Colonel Smith, ladies and gentlemen,—I can assure you that my colleagues and I appreciate very much the warm sentiments which Colonel Smith has so gracefully expressed, and I am very pleased that he associated so wholeheartedly the staff of the company with the vote of thanks. It has indeed been a remarkable year, and it has been very pleasing to see the way in which the difficulties have been tackled and overcome. There has been no holding back by any grade or section of the company, and I know that the words which have been spoken here this morning will be a great encouragement to them all. I will see that they are passed on to the proper quarters. (Applause.)

The proceedings then terminated.

BRITISH ENKA, LIMITED

DIFFICULT TRADING CONDITIONS

The sixteenth ordinary general meeting of British Enka Limited was held on the 12th instant at Winchester House, Old Broad Street, London, E.C., Mr. C. T. Pott presiding.

The chairman said: The working profit after providing for taxation for the year amounted to £84,896, reduced by provision for Depreciation and other items to the net profit of £20,505. The actual trading profit was lower than the previous year, due to difficult trading conditions, particularly during the first half of the year.

You will notice that £31,000 has been charged to Profit and Loss Account in the Balance Sheet as a further provision for 1939 taxation. That is by way of an estimate of E.P.T. liability for that year. Unfortunately our profits standard for Excess Profits Tax is very low, and the hope that the new Budget would give consideration to businesses such as ours which were suffering particularly from depressed trading conditions during the standard years has not materialised.

Our relations with our competitors in the trade have become even closer, and during the year have been extended. This collaboration is proving most useful in ironing out the many difficulties which have arisen owing to the war.

In conjunction with the other viscose rayon spinners a case was presented to the Board of Trade with the result that they have now granted us status as a nucleus firm in the rayon spinning industry.

We have passed more and more of our trade into export channels and although this trade is not as profitable as the home trade, we endeavour in this way to fulfil our national obligations.

Apart from the direct effect of the war upon our ordinary business, we miss the technical advice and assistance of our parent company, the A.K.U., which is, as you know, a Dutch concern. Furthermore, we are deprived of the valuable help of our Dutch directors.

In conclusion, I want you to know that we are all much indebted to Mr. A. D. Carmichael, who has given so much of his invaluable knowledge and time to us. In particular, Mr. Carmichael has achieved outstanding success in bringing about closer co-operation between those producing rayon in this country. It is therefore with much pleasure that I am able to announce that Mr. A. D. Carmichael has undertaken to serve as chairman of the board, a post which I have provisionally filled for many years, and which I vacate more particularly as I am obliged to spend so much time in London and consequently can only visit our works at Aintree at uncertain and infrequent intervals.

The report and accounts were adopted.

ASSOCIATED NEWSPAPERS, LIMITED

STRONG FINANCIAL POSITION

The thirty-sixth annual ordinary general meeting of Associated Newspapers, Limited (proprietors of the *Daily Mail*, the *London Evening News*, and the *Sunday Dispatch*), was held, on the 10th instant, in the Memorial Hall, Farringdon Street, London.

The Viscount Rothermere, the chairman, presided, and in moving the adoption of the annual report and balance-sheet asked the shareholders to take them as read.

A summary of the chairman's speech, which was issued to shareholders with the accounts, is as follows:—

The accounts show the very strong financial position of your company. The net profit of the company for the financial year, after provision is made for taxation and reserve for paper, is £469,542 2s. 2d., compared with £401,018 6s. 7d. for the previous year.

SATISFACTORY RESULTS

On the advertising side the reductions in the controlled sizes of our newspapers could not do otherwise than affect our revenue. I suggest, however, that in these grave and difficult times there is a good reason for satisfaction in the figures as finally presented.

The provision of our raw material—newsprint—is probably the most complicated problem we have had to deal with in running our newspapers under war conditions.

Early in 1940 the Newsprint Supply Company, representing the whole of the Press of the country, was formed with the object of pooling all available supplies of newsprint for the benefit of the newspapers of the country as a whole. No advantage was sought by newspapers like our own who found themselves in a fortunate position either in regard to stocks of newsprint or contracts with Canadian and Newfoundland suppliers. By working together through the Newsprint Supply Company it has been possible to allocate and distribute the available newsprint to all newspapers on a fair and equitable basis, and at the same price.

IMPORTANCE OF A WIDELY DISTRIBUTED FREE PRESS

I would like to record with great satisfaction and appreciation the magnificent way in which the newspapers of the country have worked together during the war. There can be no doubt of the importance of a widely distributed free Press in times of war, and the many letters which we and our contemporaries have received from our readers bear testimony to the fact that the newspapers of the country have done their job—sometimes under appallingly difficult conditions.

The partial liquidation of your company's large stocks of paper largely accounts for the increase in the company's cash position.

Further, you will notice that investments in Government securities stand at £750,217.

The report and accounts were adopted, the retiring directors were re-elected, and the auditors, Messrs. Lever Honeyman and Co., were reappointed.

The proceedings terminated with a vote of thanks to the chairman and directors.

ARGENTINE ESTATES OF BOVRIL, LIMITED

Presiding at the thirty-third ordinary general meeting of Argentine Estates of Bovril, Limited, held on the 9th instant in London, Lord Luke (the chairman) said that some companies nowadays sent their chairman's speech with the reports and paid the dividends after the meeting. They had reversed the order, and sent the dividend cheques with the report but retained their remarks for this meeting—not that there was a great deal now to say about the company's operations, which were, as in the past, divided into two parts. First, the running of the estates, including dealing with cattle stocks of over a quarter-million head, and, secondly, the manufacture in the factory at Santa Elena of corned beef to meet Government orders. There was, more or less, the usual comparatively small profit on the cattle, most of which were nowadays sold to outside freezing works—that was to say, not to their own works at Santa Elena.

As regarded the factory, he thought there might be a slight margin of profit on the corned beef and the by-products, but it certainly was only sufficient to cover a part of the plant depreciation charge, and, of course, nothing towards interest on the capital employed. It was the same with most factories producing corned beef, but they had probably not heard much about this absence of profit, as most of these producers of corned beef had also dealt with frozen beef, which worked in with corned beef manufacture, and, though the latter was admittedly unprofitable, it was carried by the profits usually made out of frozen or chilled beef.

ANOMALOUS POSITION FOR BRITISH FIRMS

As shareholders knew, the company had added an up-to-date frigorifice to their factory five years ago, but because they happened to be a British firm and not on a list of importers accepted by the Board of Trade at the time of the first Anglo-Argentine meat contract in 1933, they were not permitted by the Board of Trade to import into England frozen beef from their own freezing works at Santa Elena, though others who happened to have had some of this long-established entry quota were allowed to use the company's freezing works and ship the beef from it into England. When two or three years ago this anomalous position

for a British firm was mentioned, a Buenos Aires paper, commenting on the position, said:

"It read like 'Alice in Wonderland.'"

At any rate, as an apology for the small profits he must again mention this reason, though he believed even frozen beef profits were not what they were.

In these days, when much overseas industry was closed down, one should perhaps be pleased that the staff and workpeople had been kept in employment.

It had, of course, been a year full of difficulties, not only here, but in the Argentine, and he felt sure shareholders would like to convey their thanks for the past and expression of confidence for the future to Mr Ellison and Mr Baggott and all those who served under them on the estates and in the factories.

As he had mentioned, they sent the preference shareholders a dividend of 3 per cent. with the reports. If towards the end of this year the accounts seemed to warrant it, they hoped to be able to send shareholders 3 per cent. in December, instead of holding it for issue at the time of the annual meeting. Considering the very large sums they had invested in their estates and factories, the accounts were certainly nothing to be elated about, though as companies working in the Argentine went at present they had a showing better than many.

The report and accounts were unanimously adopted.

THE VENEZUELAN OIL CONCESSIONS, LIMITED

CONFIDENCE IN COUNTRY'S SOCIAL AND ECONOMIC PROGRESS

SIR ANDREW AGNEW'S STATEMENT

The annual general meeting of the Venezuelan Oil Concessions, Limited, will be held at Shell-Mex House, London, on June 20th.

The statement of the Chairman (Sir Andrew Agnew, C.B.E.), which has been circulated with the report and accounts, is as follows:—

Ladies and gentlemen,—

Anticipating your approval, I am circulating with the annual report and accounts the remarks which I should otherwise have made at the annual general meeting. This will enable shareholders to obtain all the available information at minimum inconvenience to themselves and will involve minor savings in various directions.

As you will observe, the report is considerably shorter than previously it having been decided to eliminate all information

(Continued from page 803)

day, compared with 13½d. a fortnight ago. The agreement between the American Rubber Reserve Company and the International Rubber Regulation Committee is discussed in a Note on page 803. The first rise in the price of copper sulphate for nearly a year was announced. The export price f.o.b. is raised £1 to £29 10s. per ton.

Export Control.—The control of exports is extended to various articles under new Orders made by the President of the Board of Trade. From June 14th exports of the following goods may be made only under licence: bleaching powder, caustic soda, cement, calcareous, ground and unground, chalk, whether ground or not, including whitening, copper sulphate, salt, sodium bicarbonate, sodium silicate, and sodium sulphate. From June 19th licences will be required to export metal barrels and drums and certain articles manufactured wholly or mainly from tin plate orterne plate. The control over asbestos (raw and fibre) is extended, and minor relaxations have been made in the list of drugs requiring export licences.

A National Egg Company.—A company is being formed, to be the agent of the Minister of Food, to administer the collection and distribution of eggs, somewhat on the lines of the company which deals with bacon. It is believed that it will be ready to begin its work later this month. The company will buy the entire

output of the packing stations, who in their turn receive the whole output of producers, except where producers act as retailers. Producers must obtain 50 registered consumers and be licensed as retailers before being permitted to sell by retail. The retailer will be required to register with a supplier, and he, too, must obtain 50 consumer registrations, except in rare cases.

Licensing Egg Buyers.—All persons who buy eggs direct from producers for the purpose of re-sale, other than licensed packers and wholesalers who are already registered with the Ministry of Food, are required to apply for a licence to trade in eggs as approved buyers. Licences will be granted only to those who were in business as egg buyers for not less than 12 months ended August 31, 1939. A condition of licence will be that the licensee shall only sell eggs to one licensed packing station of his choice, with whom he should register. Applications for licences should be made to the Ministry of Food before June 21st. This licensing is required by the Ministry of Food as part of the scheme for the rationing of eggs.

Cotton.—Traders are occupied in making the necessary adjustments to meet concentration of production schemes. Something approaching finality has been reached in the spinning branch, but developments are still awaited in the weaving section. It is reported that with regard to the recent release of barter

regarding production and field operations. This policy is in line with that being followed by many other companies whose circumstances are similar to our own, and I have no doubt that shareholders will fully appreciate the wisdom of so doing.

In view of this you will not, of course, expect any additional remarks from me other than of a very brief and general nature.

YEAR'S PROFIT

I shall refer briefly to the accounts. You will note that profit for the year is £1,103,666, which is £178,318 lower than last year, but for the reasons already given I do not propose to compare the two years' results in detail.

Turning to the balance-sheet, you will see that capital expenditure has fallen to the low level of £357,000, which comprises mainly routine requirements of well casing, pumping units and machinery. Your board is satisfied that adequate allowance has been made for depreciation.

Stocks of materials have increased from £1,161,000 to £1,564,000, owing partly to higher purchase costs and partly to the necessity, under present conditions, of buying further ahead of requirements than is customary.

Oil in stock, debtors, investments at market value and cash together total £2,156,000, and creditors, including taxation reserves, bills payable and other liabilities, £2,294,000. Of this latter figure £1,366,000 represents taxation reserves.

CHANGE IN VENEZUELAN PRESIDENCY

There is one event to which I should like to refer, namely, the change in the Venezuelan Presidency, which took place in April last. The term of the outgoing President, General Eleazar Lopez Contreras, who took office in 1936, has by common consent represented an outstanding epoch in the development of Venezuela. His successor, General Medina, is a man with similar democratic outlook and ideals, and I feel that we may look forward with confidence to a continuation of the country's political, social and economic progress.

I should not like to omit, even from this short statement, a word of appreciation from the board, and I am sure also from the shareholders, of the valuable services which have again been rendered by our management and staff, both in Venezuela and at home. Numerous members of the staff have, of course, joined the Services, which throws an added strain on those remaining, and the important work which they are doing is much appreciated.

The formal resolutions will be proposed at the meeting in the usual way.

cotton, applications for allotment have been larger than the supply available, and in the circumstances merchants have had to be satisfied with comparatively small lots. Some looms are stopped owing to the limited supplies of yarn. Difficulties are being experienced in any expansion in export trade in piece goods owing to the limited quotas allowed to shippers.

Offals Derationed.—The derationing of offals was announced by the Ministry of Food, with effect from June 9th, and it is promised that this concession will remain in force during the summer months. Consumers are warned that the total quantity of offals amounts to less than five per cent of weekly supply of meat, but butchers are urged to distribute supplies equitably among their customers.

"THE ECONOMIST" SENSITIVE PRICE INDEX (1935 = 100)

	June 5, 1941	June 6, 1941	June 9, 1941	June 10, 1941	June 11, 1941
Crops	108.5	108.5	108.5	108.5	108.5
Raw materials	172.2	172.2	171.7	171.4	171.4
Complete Index	136.7	136.7	136.5	136.3	136.3
	Mar. 31, 1937*	Aug. 31, 1939	June 11, 1940	May 12, 1941	June 4, 1941
Crops	147.9	92.2	105.9	108.5	108.5
Raw materials	207.3	122.9	172.6	173.7	171.7
Complete Index	175.1	106.4	135.2	137.3	136.5

* Highest level reached during 1932-37 recovery.

Province of Buenos Aires Waterworks.
—Profit for 1940, £11,265 (£19,469), after providing £47,000 for British taxation, compared with £29,500 in 1939. One year's dividend, 5 per cent free of tax, is to be paid June 25th in respect of year 1936 on 5 per cent Cumulative Preference Shares of the company.

THE WEEK'S COMPANY RESULTS

Company	Year Ended	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year			
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.	
Breweries, etc.		£	£	£	£	£		%	£	£	£	£	%	
Whitbread & Co.	Dec. 31	249,605	...	194,115	474,320	43,407	143,416	14	...	7,292	339,421	284,780	17	
Coal, Iron and Steel														
South Hetton Coal	Mar. 31	97,531	24,913	20,244	67,082	7,500	12,500	5	...	244	137,850	46,208	5	
Financial, Land, etc.														
British & Chinese Corp.	Dec. 31	18,356	24,582	Dr. 24,708	Dr. 16,577	...	...	...	Dr. 25,000	9,708	18,012	Dr. 107,071	Nil	
Invest. Corp. of Canada	April 30	17,638	...	4,401	29,998	4,001	...	...	...	400	23,632	7,123	10	
Rubber Plantations Trust	Dec. 31	199,798	...	152,563	248,164	...	137,153	10	15,000	410	194,260	126,209	5	
South Eastern Gas	Mar. 31	261,884	...	186,751	259,982	87,755	101,148	4	...	2,152	313,419	228,781	5	
Warner Estate	Mar. 31	192,795	...	43,391	48,833	18,750	17,875	51	7,000	31	202,230	49,438	5	
Hotels & Restaurants														
Lyons (J.) & Co.	Mar. 31	882,600	...	882,600	1,182,599	490,353	371,254	20	...	21,903	1,011,452	911,452	20	
Rubber														
Chersonese (F.M.S.)	Dec. 31	23,751	...	7,120	24,517	...	7,924	5-208	...	705	22,957	10,121	5-208	
Consolidated Malay	Dec. 31	32,431	...	11,532	16,165	...	11,250	15	...	242	18,987	13,701	10	
Eow Seng	Dec. 31	13,934	...	5,691	8,051	...	5,320	6	...	171	7,814	5,828	5	
Henrietta	Dec. 31	41,558	976	17,116	22,405	913	16,322	12	...	120	25,196	15,190	10	
Rembia	Sept. 30	14,874	...	2,396	3,110	...	12,000	21	...	277	11,576	11,576	3	
Rosehaugh (Ceylon)	Dec. 31	40,710	2,355	14,985	19,501	...	3,400	4	6,500	406	9,467	3,673	4	
Soengai Rampah	Dec. 31	13,301	1,500	3,806	10,534	...	6,500	10	...	771	7,002	2,241	5	
Sungei Knit	Dec. 31	15,525	...	7,271	11,571	...	...	...	...	...	...	...	...	
Shipping														
Union-Castle Mail	Dec. 31	834,994	...	208,004	396,187	88,710	68,500	5	...	59,794	444,298	112,013	Nil	
Shops & Stores														
Rego Clothiers	Dec. 31	168,120	17,606	9,898	14,902	8,409	...	...	...	1,489	57,272	9,270	Nil	
Tea														
Rosehaugh (Ceylon) Tea	Dec. 31	26,921	5,196	10,851	16,110	...	8,000	4	4,000	1,149	32,504	13,170	4	
Trusts														
Armitage (Sir Ekanah)	Mar. 31	14,745	...	14,745	34,224	...	9,375	71	...	...	36,721	36,721	5	
British Erika	Dec. 31	84,806	47,717	20,505	Dr. 566,869	...	54,934	89,920	10,276	9,653	20,505	165,357	97,792	Nil
Vantona Textiles	Mar. 31	61,440	12,000	54,934	89,920	...	...	...	...	...	70,089	56,779	5	
Tramways & Omnibuses														
British Electric Traction	Mar. 31	748,552	...	534,823	2,494,397	163,120	355,838	45	...	12,865	745,874	748,552	45	
Southdown Motor Services	Mar. 31	521,320	129,086	83,093	137,494	...	75,000	10	20,000	11,097	521,338	124,611	10	
Can. & Foreign Invest.														
Independent Invest.	Mar. 31	30,093	...	13,336	39,280	3,300	...	...	...	4,561	26,546	13,251	1	
Triumph Investment	Mar. 31	2,497	...	8,698	41,849	7,586	...	...	...	...	22,419	10,419	1	
Trust Union	May 15	68,396	...	921	3,949	...	...	...	...	...	2,739	1,112	10	
Other Companies														
Armstrong Stevens & Son	Mar. 31	31,162	3,919	11,214	19,506	...	8,759	171	...	2,485	37,628	14,503	15	
Craig & Rose	Mar. 31	9,950	...	5,950	15,414	5,000	4,000	4	Dr. 1,500	1,550	9,969	9,969	4	
Denny, Mott & Dickson	Mar. 31	150,026	...	73,975	107,690	52,800	20,400	6	...	...	775	274,912	69,701	5
Dunlop Cotton Mills	Dec. 31	447,226	86,962	85,080	86,707	84,004	...	...	...	...	313,481	107,480	5	
Findlater (Alex.)	Feb. 28	5,321	...	5,321	19,988	1,120	...	...	...	...	173	5,690	5	
Jury Holloway	Mar. 31	100,523	6,000	21,165	36,991	...	23,000	10	...	1,835	39,326	15,766	7	
Morrison (Gowans)	Dec. 31	31,358	...	17,176	19,347	3,500	10,750	(c)	...	3,226	33,037	14,899	(c)	
Totals (£000's)	No. of Cos.													
Week to June 14, 1941	35	3,672	365	2,741	5,514	1,091	1,474	...	62	117	4,981	2,917	...	
Jan. 1 to June 14, 1941	816	169,934	11,797	88,111	136,349	18,721	58,112	...	7,358	3,439	165,195	97,911	...	
† Free of Income Tax.														
(c) 15% Ord. 100% Deferred														

† Free of Income Tax.

(c) 15% Ord. 100% Deferred.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash. Previous year's rate is total dividend unless marked* indicating interim dividend.

Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
BANKS					Panawal Tea, &c.					Harper (John) & Co.				
Bank of Nova Scotia	3 *	...	...	3 *	Rahman Rubber	...	6	...	6	Henderson & Co.	12 1/2	15	...	15
National Bank of New Zealand	12 1/2	...	...	2 1/2	Rembia Rubber	...	6	...	4	Hill (Richard) & Co.	3 *	...	...	11 (b)
INSURANCE					INDUSTRIALS					Holbrooks Ltd.	...	6	...	5
Eagle Star Insurance	7 1/2 *	July 1	7 1/2 *	...	Ambrose Shallow & Co.	5 1/2	7 1/2	...	7 1/2	Hollychrome Bricks	...	6	...	5
Licenses and General	15 1/2	20	...	20	Anglo-Celtic Trust	...	3 1/2	...	3 1/2	Hood (R.) Haggie	...	...	...	15
Pioneer Life	1 1/2	2/3	...	2/3	Anglo-Newfoundland	2 1/2	5	Aug. 1	5	Ind. Coope and Allsopp	...	...	...	15
MINEING					Associated Fisheries	...	8 1/2	...	6	Keith Blackman	...	17 1/2	...	10
Globe and Phoenix	20 *	June 28	20 *	...	Bartholomay Trust	...	12	...	2	King's Motors (Oxford)	...	10	...	10
Kramat Pual	10 *	...	12 1/2 *	...	Booker Brothers	...	1	...	2	Lloyd (P. H.) & Co.	...	7 1/2	...	20
Malayan Tin	...	...	12 1/2 *	...	Brit. American Tobacco	17 1/2 *	...	July 1	5	Mansfield Brewery	...	4	...	5
Scottish Australian M.	...	...	...	...	Briton Ferry Steel	7 1/2	10	...	10	Metal Industries, &c.	...	20	...	5
Southern Malayan Tin	2 1/2 *	...	10 *	...	Butcher's Co.	7 1/2	10	...	10	Mitchell Colts.	...	2 1/2	...	25
Sungei Kinta Tin	...	12 1/2	July 8	8 1/2	Cable and Wireless	2 1/2	4	...	10 1/2	Pataling Royalties	...	50 1/2	...	30
TEA AND RUBBER					Cable and Wireless (Holding)	...	4	July 15	4	Pretoria Port Cement	...	15 1/2	...	22 1/2
Alor Pongsu Rubber	...	8	...	3 1/2	Consett Iron	...	15	...	15	Rio de Janeiro Flour	...	12 1/2	...	12 1/2
Bagracote Tea	9 1/2	12	...	12	Cory (William) & Son	15 1/2	15	...	20	Ruston and Hornsby	...	...	...	24
Batu Caves Rubber	...	6	...	2 1/2	Crossley Motors	...	15	...	15	Second British Steamship Trust	2 1/2 *	...	June 28	24
Ceylon Land & Produce	2 1/2 *	...	...	2 1/2	Denny Mott & Dickson	4 *	...	...	4 *	Siemens	...	7 1/2	...	5
Chusa Tea	9 1/2	12	...	12	Deritend Stampington	...	6	...	6	Stephany Furniture	...	6	...	10
Cranley Tea	2 1/2 *	...	...	2 1/2	Elec. & Gen. Investment	10 1/2	15	...	15	Stream-Line Filters	...	7 1/2	...	10
Doloswella Rubber	...	6	...	6	Eucyl	6 1/2	9	...	7 1/2	Trust Union	...	7 1/2	...	10
Golconda Malay Rubber	...	9	June 28	6	Forestal Land	6 1/2	9	...	21 1/2	United Tobacco (South)	...	7 1/2	...	10
Gula-Kalumpung Rub.	...	7 1/2	...	6	Goldbrough Mort	5 1/2	7	...	9	Whessoe Foundry	...	40	...	40
Heves (Johore) Rubber	3 1/2 *	...	...	2 *	Greening (N.) & Sons	5 1/2	7 1/2	...	7 1/2	Williamsons Ltd.	9 1/2	12 1/2	...	4
Kandapolla Tea	4 1/2	6 1/2	June 28	6						Wyman & Sons	...	...	...	...
Klabang Rubber	...	4	...	2 1/2										
Nagolle (Ceylon) Rub.	...	3	...	2										
Nahama Rubber	...	3	...	2										

(a) Free of South African Normal Income Tax.

(c) 3% Paid Free of Income Tax.

† Free of Income Tax.

OVERSEA WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1941	+ or —	1941	+ or —
B.A. and Pacific	48	May 31	\$1,538,000	+ 335,000	68,963,000	+ 2,069,000
B.A. Gt. Southern	48	" 31	\$2,240,000	+ 259,000	107,073,000	+ 5,561,000
B.A. Western	48	" 31	958,000	+ 311,000	37,880,000	+ 95,000
Canadian Pacific	22	June 7	\$4,108,000	+ 1,238,000	85,452,000	+ 21,389,000
Central Argentine	48	May 31	\$1,832,000	+ 229,000	78,867,000	+ 5,988,350

† Receipts in Argentine pesos.

UNIT TRUST PRICES

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

Name	June 10, 1941	Name	June 10, 1941	Name	June 10, 1941
Second Bt. Inv.	19% bld	National D. Century	9 1/2-10 1/2 bld	Key. Gold	8 1/2-9 1/2 bld
Lim'd Inv.	12 1/2 bld	Scottish	10 1/2-12 1/2 bld	Br. Ind. 4th	10 1/2-12 1/2 bld
New British	7 1/2 bld	Univ. 2nd	9 1/2-10 1/2 bld	Elec. Ind.	13 1/2-14 1/2 bld
Inv. Trust	9 1/2-10 1/2 bld	Inv. Flex.	11 1/2-13 1/2 bld	Met. & M.	13 1/2-14 1/2 bld
Bk. Insur.	14 1/2-15 1/2 bld	Inv. Gen.	12 1/2-13 1/2 bld	Cum. Inv.	13 1/2-14 1/2 bld
Insurance	14 1/2-15 1/2 bld	Key. Flex.	9 1/2-10 1/2 bld	Producers	8 1/2-9 1/2 bld
Bank	15 1/2-16 1/2 bld	Key. Con.	8 1/2-9 1/2 bld	Dom. 2nd	4 1/2-5 1/2 bld
Scotbills	10 1/2-11 1/2 bld			Orthodox	7 1/2 bld

* Free of commission and stamp duty.

BRITISH WHOLESALE PRICES

	June 3, 1941	June 10, 1941		June 3, 1941	June 10, 1941
CEREALS AND MEAT			TEXTILES—continued		
GRAIN, etc.			COTTON—continued		
Wheat	s. d.	s. d.	Cloth, 36 in. Shirtings, 75 yds.	s. d.	s. d.
No. 1 N.Mt. 406 lb. f.o.b. Mont.	32 6	32 6	19 x 19, 32's & 40's	39 0	39 6
Eng. Gaz. av. per cwt. (e)	14 7	14 7	" 38 in. ditto, 38 yds.,	14 5	14 7
Flour per 280 lb.	25 6	25 6	" 18 x 16, 10 lb.		
Straights d/d London	20 9	20 9	" 39 in. ditto, 37½ yds.,	13 4	13 6
Barley Eng. Gaz., av. per cwt.(e)	14 8	14 8	" 16 x 15, 8½ lb.	£ s.	£ s.
Oats (e)	10 6	10 6		Nom.	Nom.
Maize, La Plata, 480 lb., f.o.b.	10 6	10 6		Nom.	Nom.
MEAT Beef, per 8 lb.—			HEMP (per ton)—Manilla, spot		
English long sides	4 8	4 8	" J2 "	30/0/0	30/0/0
Imported hinds	5 4	5 4	JUTE (per ton)—		
Mutton, per 8 lb.—English	4 4	4 4	Daisee 2/3 c.i.f. Dundee,	34/10/0	36/0/0
Imported	4 4	4 4	Nov.-Dec. (new)	s. d.	s. d.
Pork, English, per 8 lb.	8 0	8 0	Common 8 lb. cops. (per spindle)	4 4	4 4
BACON (per cwt.), Wilt., cut side			10/40 Hessians, per yd.	0 6	0 6
HAMS (per cwt.) Green	125 6	125 6	8/40 Hessians, per yd.	0 4½	0 4½
	131 6	131 6	SISAL (per ton)—African, June		
OTHER FOODS			August—No. 1		
BUTTER (per cwt.)—All Grades	143 0	143 0	WOOL (per lb.)—		
CHEESE (per cwt.)—			Lincoln wethers, washed	19 1	19 1
Home Produced	99 2	99 2	Selected blackfaced, gray	14 14	14 14
Imported	99 2	99 2	Australian scd. fleece 70's	37 37	37 37
COCOA (per cwt.)—			Cape scd. average snow white	39 39	39 39
Accra, g.f.	45 0	45 0	N.Z. scd. 2nd. pieces, 50-56's	24 24	24 24
Granada	Nom.	Nom.	Tops—		
COFFEE (per cwt.)—			64's warp	45 45	45 45
Santos supr. c. & f.	Nom.	Nom.	56's super carded	39 39	39 39
Costa Rica, medium to good	165 0	165 0	48's average carded	31 31	31 31
Eggs (per 120)—English	25 0	25 0	44's prepared	29 29	29 29
LARD (per cwt.) Imported	64 0	64 0	MINERALS		
POTATOES (per cwt.)—			COAL (per ton)—		
English	7 0	7 0	Welsh, best Admiralty	s. d.	s. d.
SUGAR (per cwt.)—	10 0	10 0	Durham, best gas, f.o.b. Tyne	31 7	31 7
Centrifugals, 96", prpt. shipm.	7 6	7 6		32 4	32 4
c.i.f. U.K./Cont.				27 10 1	27 10 1
REFINED LONDON			IRON AND STEEL (per ton)—		
Granulated, 2 cwt. bags	49 10	49 10	Pig, Cleveland No. 3, d/d	128 0	128 0
Granulated, 2 cwt. bags,			Bars, Middlesbrough	312 6	312 6
domestic consumption	31 2	31 2	Steel rails, heavy	290 6	290 6
West India Crystallised	47 4	47 4	Tinplates (home, i.e. 14 x 20)	29 9	29 9
	50 10	50 10	NON-FERROUS METALS (per ton)—		
TOBACCO (per lb.)—			Copper (c) Electrolytic		
Indian stemmed and un-	0 8	0 8	Tin—Standard cash	62/0/0	62/0/0
stemmed	1 10	1 10	Three months	264/15/0	262/0/0
Rhodesian, stemmed and un-	0 10	0 10		265/0/0	266/5/0
stemmed	2 0	2 0		265/0/0	266/15/0
TEXTILES				265/5/0	267/0/0
COTTON (per lb.)	d.	d.	Lead (d) Soft, foreign, cash	25/0/0	25/0/0
Raw, Mid-American	9.24	9.24	Speltz (d)—G.O.B., spot	25/15/0	25/15/0
Giza, F.G.F.	12.05	12.05	Aluminium, ingots and bars	110/0/0	110/0/0
Yarns, 32's Twist	16.81	16.81	Nickel, home delivery	190/0/0	190/0/0
" 40's Twist	18.12	18.12		195/0/0	195/0/0
" 50's Twist (Egyptian)	25.95	25.95	Antimony, Chinese	2/10/0	2/10/0
Cloth, 32 in. Printers, 116 yds.,	s. d.	s. d.	Wolfram, Empire	per unit	9/0/0
16 x 16, 32's & 50's	27 3	27 6	Platinum, refined	per oz.	48/0/0
			Quicksilver	per 76 lb.	48/15/0
(a) + 6s. per ton net paper bags			GOLD (per fine ounce)		
(d) Including import duty and delivery charges.			SILVER (per ounce)—		
			Cash		
			1 11 11 1 11 1		

EXCHANGE RATES (Monthly Tables)

CENTRAL AND SOUTH AMERICA

The following rates, issued by Bank of London and South America, are related to U.S. \$; approximate sterling rates can be calculated from \$-£ rate.

Colombia.*	Sight selling rate 175.50 pesos per 100 U.S. \$ on April 16th.
Ecuador.*	Sight selling rate 15.00 sucres per U.S. \$ on April 11th.
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 554½ cordobas per U.S. \$ (incl. 10 per cent. tax), Jan. 1, 1941.
El Salvador.*	Sight selling rate New York was 2.40¢ colones per \$ on April 9th.
Venezuela.*	Sight selling rate New York 3.19 bolivares per U.S. \$ since April 27, 1937.

* Exchange controls are operative in these countries.

OVERSEAS BANK RATE

Changed From	To	Changed From	To
Amsterdam	Aug. 28, '39 2 3	Madrid	July 15, '35 5 4
Athens	Jan. 4, '27 7 6	Montreal	May 11, '35 21 2
Batavia	Jan. 14, '37 4 3	Oslo	May 12, '40 41 3
Belgrade	Feb. 1, '35 6½ 2	Paris	Jan. 3, '39 2½ 2
Berlin	April, '40 4 3½	Pretoria	June 2, '41 34 3
Brussels	Jan. 25, '40 2½ 2	Tallinn	Oct. 1, '35 4 4½
Bucharest	Sept. 17, '40 3½ 3	Rio de Janeiro	Feb. 17, '40 4½ 5½
Budapest	Oct. 22, '40 4 3	Rome	May 18, '36 5 4½
Calcutta	Nov. 28, '35 3½ 3	Stockholm	May 17, '40 3 3½
Chile	June 13, '35 4 4½	Zurich	Nov. 25, '36 2 1½
Copenhagen	Oct. 15, '40 4½ 4	Tokyo	May 27, '40 3 2
Helsingfors	Dec. 3, '34 4½ 4	Dublin	Oct. 26, '39 4 3
Kovno	May 14, '39 5 7		
Lisbon	Mar. 31, '41 4½ 4		
N.Y. Fed. Res.	Aug. 26, '37 1½ 1		

(a) For banks and credit institutions.

(b) For private persons and firms.

AUSTRALIA AND NEW ZEALAND

London on Australia and New Zealand*				Australia and New Zealand on London			
Buying		Selling		Buying		Selling	
Australia	New Zealand	Australia (any mail)	New Zealand (any mail)	Australia	New Zealand	Australia (any mail)	New Zealand
T.T.	Ord. Mail	Air Mail	Ord. Mail	Air Mail	Ord. Mail	Air Mail	Ord. Mail
Sight	126½	126½	126½	125	124½	125	124½
30 days	127½	127½	127½	125	124½	125	124½
60 days	127½	127½	127½	125	124½	125	124½
90 days	128½	128½	128½	125	124½	125	124½

* All rates (Australia and N. Zealand) now based on £100—London.
 † Plus postage.
 ‡ Via Durban and Singapore. By America/New Zealand Air Mail, Australia: Demand, 126½; 30 days, 127½; 60 days, 127½; 90 days, 127½. (New Zealand): Demand, 125½; 30 days, 126½; 60 days, 126½; 90 days, 127½ (plus postage).

SOUTH AFRICA

(BUYING RATES PER £100 STERLING)

T.T.	Sight.	80 days' sight.	90 days' sight.	90 days' sight.
London on:	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Rhodesia	100 5 0	100 17 6	101 5 9	101 14 0
S. Africa	101 0 0	101 12 6	102 0 9	102 9 0

(SELLING RATES PER £100 STERLING)

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

TRANSVAAL GOLD OUTPUT

Statistics for May 1941 (on Basis of £8 8s. 0d. 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.
Anglo-American Corporation	£	£	s. d.		Central Mining.—Rural Mines—cont.	£	£	s. d.		"Johnnies"	£	£	s. d.	
Brakpan	140,000	260,526	100,009	103 7.2	New Modder	204,000	27,542	70,012	117 8	E. Champ D'Or	35,000	74,983	39,347	80 2
Daggafontein	184,000	389,595	226,012	70 7.4	Nourse	84,000	16,536	34,523	126 7	Gov. Areas	270,000	431,636	170,145	102 6
East Daggafontein	80,000	176,722	71,353	100 4.3	Rose Deep	90,000	13,798	29,051	126 1	Langlaagte	131,000	142,239	10,102	157
Sth. African Land	118,000	274,146	152,471	74 2.8	Transvaal G.	32,800	5,335	5,631	144 9	N. State Areas	129,000	253,448	122,057	88 0
Springs	165,000	373,887	195,005	80 0.0	General Mining					Randfontein	400,000	490,850	140,226	121 0
West Springs	90,000	163,900	59,494	108 7.9	Van Ryn	63,000	60,304	8,010	149 3	Van Ryn	110,000	128,644	25,010	136 3
Central Mining.—Rural Mines	£	£	s. d.		W. Rand Cons.	240,000	370,949	161,305	98 2	Witwatersrand	87,000	110,009	18,018	142 5
City Deep	115,000	26,291	70,532	114 6	Goldfields	£	£	s. d.		Union Group	£	£	s. d.	
Cons. M. Reef	216,000	34,230	63,727	131 1	Venterspost	122,000	23,490	60,439	116 10.2	E. Geduld	166,000	47,704	264,055	57 5
Crown	358,000	89,521	209,927	98 8	Simmer and Jack	102,000	30,838	74,110	120 1.3	Geduld	118,000	28,054	121,068	81 5
Durban Deep	206,000	38,005	106,388	112 1	Robinson Deep	130,000	27,616	86,581	105 8.7	Grootvlei	127,000	33,686	137,146	86 9
East Rand Prop.	227,000	46,506	117,028	117 10	Sub Nigel	69,000	43,448	242,721	68 4.6	Marievale	60,000	13,257	36,215	118 6
Geldenhuis	71,000	8,917	15,163	134 9	Vogelstruisbult	78,300	20,809	65,370	108 4.6	Modder Deep	51,000	6,388	10,392	136 3
Glynn's Lyd.	10,000	3,100	8,238	115 1	Rietfontein	35,800	5,491	17,012	108 4	Van Dyk	99,800	29,915	85,489	102 2
Modder B.	98,000	15,813	61,006	90 3	Luipaards Vlei	88,500	18,692	46,299	118 7.5					
Modder East	142,000	23,601	82,160	98 6										

TERMS OF SUBSCRIPTION TO THE ECONOMIST

£ s. d.
 12 Months - - - 3 0 0
 6 Months - - - 1 10 0

Cheques to be made payable to The Economist Newspaper Ltd.

PUBLISHING OFFICE:
 BRETENHAM HOUSE,
 LANCASTER PLACE, LONDON, W.C.2
 Telephone: TEMple Bar 3316

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 5th June, 1941, DRAWN for redemption at par on the 30th June, 1941:—

Bonds numbered 17, 52, 66, 91, 258, 420, 423, 447, 451, 497, 531, 562, 563, 564, 598, 620, 655, 669, 966.

Present, John E. R. Casey, Notary Public, of the firm of Cheeswright, Casey, Duff, Watts and Co., Notaries, 23, Lime Street, 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 Clements Lane, E.C.4, three clear days for examination. Payment of principal will be made on and after the 30th June, 1941, from which date the Bonds will cease to bear interest.

In addition to the above, Bonds amounting to £91,300 have previously been purchased and drawn.

For the Standard Bank of South Africa, Limited,

RALPH GIBSON, Manager.

5th June, 1941.

THE ECONOMIST

Vol. CXL

JUNE 21, 1941

No. 5104

CONTENTS

LEADING ARTICLES

	PAGE
Collective Bargaining	815
The Conduct of Diplomacy	816
Bank Credit and Inflation	817
Allowances for Children	819

NOTES OF THE WEEK

Outlook in the East	820
The Turks Decide	820
Summer Raiding	820
Strength in Defence	820
Losses at Sea	821
After the Robin Moor	821
Speaking for Europe	821
The Syrian Campaign	821
Back Yard Hens	822
The Problems of Housing	822
The Empire's War Effort	822
A Plan for Building	823
Fighting Round Sollum	823
The Slippery Slope	823
Tax-Free Incomes	823
Shorter Notes	824

THE WORLD OVERSEAS

	PAGE
Difficulties at Ottawa	824
Portugal Restricts Illicit Exports	825
American Preparedness: Business and Defence	825
Labour and Production	826

INVESTMENT

	PAGE
The Rate of Interest	830
Tax-Free Dividend Decision	830
An Important Achievement	830
Courtauld's Compensation	830

COMPANY NOTES

Cable and Wireless Accounts	831
Shipbuilding Results	831
Forestral Land Accounts	831
"Shell"-Burmah Payments	832
Odham's Record Earnings	832
Kaffir Dividends	832
THE STOCK EXCHANGES	832
CAPITAL ISSUES	835

THE BUSINESS WORLD

LEADING ARTICLES

Shipping Shares Prospect	827
--------------------------------	-----

FINANCE AND BANKING

Big Treasury Deposit Payments	828
Clearing Banks in May	829
Axis Assets in U.S.A.	829
Axis Counter-Measures	829
British Help for U.S. Treasury Move	829
Sterling Area Dealings Restricted	829

INDUSTRY AND TRADE

Motor Car Licences	833
The Coal Problem	833
Nazi Europe's Oil	833
Labour for Munitions	833
Canned Meat Control	834
The Fertiliser Programme	834
Mr. Ickes Gets to Work	834
Industrialisation in Latin America	834
COMMODITY AND INDUSTRY NEWS	840

COMPANY MEETINGS

CURRENT STATISTICS	835
--------------------------	-----

Collective Bargaining

THERE have been signs of exasperation, and sometimes even of bitterness, in a number of recent speeches and articles on war policy, and it is imperative that this peevishness should not be permitted to develop into something deeper and more dangerous. There is no tradition of the Class War in English politics. The problem of the Two Nations has been recognised by all parties for over a century. It has by no means been solved, but no section of the community can claim a monopoly in social betterment; and it would be pitiful and perilous if, at this crucial stage of a deadly struggle, when the outstanding character of the community is the common will to win, sectional antipathies and suspicions were to cloud the single issue. Many more than Mr Bevin and Mr Tanner, of the Amalgamated Engineering Union, have been "nauseated" by the campaign of complaint against "absentee" war workers. All losses of time and output, whether due to an uneven supply of materials, to bad management or to slackness on the part of employees and staff of whatever grade, are equally to be rooted out; and neither politicians, journalists and public men, when they indict the arms workers so smugly, nor Mr Bevin and his friends at Transport House, when they treat every comment on manpower as an attack on trade unionists, contribute anything but backbiting to a solution.

The trouble starts high up. At Derby last week-end, Mr Bevin spoke of himself as "representing" Labour in the Cabinet. Even the Captain-General himself, Mr Churchill, has taken a party headship since the National Government was made. There is no reason for an outsider to doubt that in their Councils the Cabinet are undivided in their work for victory. But it is inherent in the composition of the Government as a "representative"

coalition, and not as an epitome of the nation's talent and leadership, that it should serve as an exchange of interests at least as much as of ideas. Bargains were struck to make it.

It is unfortunately necessary in wartime to surrender the advantages of party politics, which makes it the more regrettable that disadvantages should be preserved. The Prime Minister's party office, though it may render him the symbol of a faction, does not alter his own unbiased concern for the commonwealth. Most Ministers in fact are honest and loyal in their attempts to hold away from party ties. But they are there as party men. They are balanced, numerically, as party men; and the wirepullers and the caucuses are there in the background.

It is hard for Ministers to make sweeping policies by collective bargaining; and it is hard for some observers to overcome the suspicion, no doubt mostly unfounded, that coalition is a cloak for the strongest bargainer. There is a presumption that Mr Churchill may sometimes have to arbitrate when he should be leading, and that contentious social decisions may be skirted to avoid both devil and baker. There are only stray words and deeds to judge from, and Ministers are firm—and no doubt sincere—in their avowals of solidarity. But a balanced coalition is not, in itself, the most national of governments.

There is no usefulness, of course, in mere pipe-dreams. The nation is united in the war effort, but society is still divided. Inevitably, the conduct of the war must be based upon decisions which reach an accord between the conflicting and competing interests of social groups. There is no class war. But there are

classes—shifting and ill-defined maybe, but existing none the less. Their boundaries may be suddenly altered by war conditions without any warning or design; and the differences between them may move and deepen. It is in this conjuncture that war leaders must make their war plans workable. It is easy, for instance, for the economist to advise a general stop on wages, profits and prices; it is right for him to do so, because it is economically desirable for the war effort and, in the long term, socially desirable for both wage-earners and industrialists as well. For the politician it is a hard, uphill task to secure agreement on the restraint of remuneration. He will prefer to seek, with no little success in this instance, the alternative way of restraining expenditure. He will make heavy weather of his economic obligation to reduce the consumption of tobacco and petrol. There is a plain difference, rooted in social fact, between War Economy and War Political Economy.

But this explanation is no excuse for a political attitude which maximises social difficulties that should be minimised. Discussion there must be, but not just bargaining. If the tasks of national unity are deliberately thwarted by haggling, the chances of an agreed and efficient policy are not great. If lip service is paid to the need for a wage and price policy, while nothing can be done because of political obstacles, the menace may heap

up while matters drift—until both the war effort and all the interested groups are losers in the end. The danger of collective bargaining, as a procedure of government, is drift.

Mr Churchill's leadership need not be bounded by party bargains. He is in a position to put a stop to unseemly wrangling in high places by command. He can easily widen the sphere of Ministerial recruitment to all the talents. But new methods are needed as well as new men and a new attitude. Individuals and interests do not haggle solely because of short sight and narrow minds. Often, they bargain because they are struggling to keep their heads above water as the tide of wartime change swirls and rises; and the most potent step to halt their haggling would be to end their struggle.

It is not enough to denounce exasperation. It is no less needful to remove its causes, by ensuring that the risks of wartime economic policy do not fall haphazardly and without discrimination on workers, traders, industrialists, business men, households or families who have no special responsibility or redress. In the right conditions of wartime service—security of work, livelihood and diet for every citizen, whatever changes the exigencies of war may compel—there could be a truce to needless suspicion and to political barter and a mighty release for the willingness and resolution of the British people.

The Conduct of Diplomacy

THE changes in the Diplomatic Service proposed in Sir Malcolm Robertson's report and announced by Mr Eden on June 11th go far to meet a number of the criticisms which have been put forward recently on the subject of Britain's handling of foreign affairs. For some time past, it has become more and more obvious that the conduct of foreign policy in this country was out of touch with the realities of the international situation. However much men may regret the change, it is perhaps true to say that diplomacy has moved from the sphere of art to that of science. The social pattern, the traditional forms, the specialised field of knowledge and action, the leisurely, courteous, mannered exchanges of other and possibly happier periods have given place to the interdependent, activist, tumultuous, and totalitarian world of to-day. In the new "total diplomacy," a diplomatist with only a general appreciation of his country's own vital interests, a certain historical and cultural knowledge of the community in which he is to work and a placid ignorance of its social framework and the economic forces at work in it, is likely to go hopelessly astray. There is no longer a traditional European hierarchy, ruling by self-evident right. It is not only insufficient, it is absolutely mislead-

ing to conduct diplomacy on the basis of contacts confined to the socially insignificant "social élite" of a number of cosmopolitan capitals.

It is therefore welcome news that the Diplomatic and the Consular Services are to be merged. This will help to do away with the illusion that the politics and economics of a community, the social world and the business world, can be considered apart; and from the Consular Service it will probably be possible to pick men at once with the necessary qualifications to give "expert advice on commercial and financial as well as on military matters," and even on "social and labour questions." The list is encouraging. It shows that Mr Eden appreciates the complexity of the forces behind politics in the modern state. It suggests that one of the most vital services of peacetime diplomacy—information—will be far more adequately performed.

These changes clearly call for some modification in the selection and training of diplomatists. Here, too, Sir Malcolm Robertson's report holds out good hopes for the future. The basis of selection is to be widened in order to secure the best talent available in the community, and the disadvantages which questions of finance impose on the present organisation of the Service will be removed, by making it still easier for men without private means to enter the Service and also by providing pensions on retirement for those who have not shown sufficient ability to move on to more responsible posts. Of these reforms, the financial are incomparably more important than the other. A higher education and a liberal background are likely to remain valuable, even essential, qualifications for the career of a professional diplomat. What is needed is that the best of those so endowed should enter the Service and that, once launched, ability not seniority should mark the stages in their career. The early pensioning of the relatively incompetent will thus do even more to improve the efficiency of the Service than the selection of candidates on a wider basis.

The reforms sketched in the Robertson report are not, of course, for immediate application, but it is not only the long-term conduct of diplomacy that is under fire. The Government may be said to have tacitly admitted the truth in the criticisms levelled at the inadequacy of the Service under present conditions by appointing to the three most vital Embassies—the United States, Russia and Spain—Ambassadors chosen from outside the Service; and there is growing uneasiness that in three vital spheres

of policy—in the United States, in Vichy France and, until very recently, in Iraq—British diplomacy is not only not playing its part but is actually impeding the formulation and practice of a vigorous and effective policy, in France or Iraq in the sphere of diplomacy proper, in the United States, in the sphere of news.

Admittedly, the situation in which the Foreign Office finds itself is a peculiar one. The rôle of diplomacy in times of peace is relatively straightforward. Its aim is to watch over its country's vital interests and to settle by compromise and negotiation difficulties which threaten a disturbance of the peace. Very properly, its methods are designed to delay decisions whenever a breach seems imminent, to avoid drastic action and to fend off as long as possible a situation from which a resort to force is the only issue. It follows that, when war has broken out, its functions are at an end between belligerents. There usually remains, of course, a neutral fringe where presumably diplomacy can still be active, but it is questionable whether, under modern conditions of total war, it is either wise or realistic to assume that, because countries are not involved in war, the methods of peace-time diplomacy can continue to be employed in them, or that there even exists a sphere in which normal diplomacy can continue to function at all. Even though Holland was a neutral until May, 1940, clearly the whole question of Britain's relations with Holland was conditioned by the general strategy of the war, including blockade, and the disastrous weakness of Britain's policy *vis-à-vis* and the disastrous weakness of Britain's policy *vis-à-vis* pre-belligerent Italy was partly conditioned by the belief that methods of diplomatic negotiation were still valid in dealing with Hitler's Axis partner.

The same dilemma is apparent to-day in the question of the Anglo-American policy towards Vichy, although here the blame must lie with the American State Department rather than with the Foreign Office, which is not represented at Vichy. It is perhaps true that the diplomats themselves were not personally responsible for weakness and vacillation; but the application to the Vichy situation of the methods of diplomacy proper was inevitably bound to produce weakness and vacillation. All too often decisions appear to have been taken at the Foreign Office or the State Department which properly belonged to the competence of the War Cabinet and the Administration only. It is perhaps true to say that the rôle of diplomacy in war is not to interfere at all with the conduct of the war, and it cannot be said that recent British diplomacy has either understood or played this ideal rôle.

The Foreign Office has, besides this negative part, the positive function of oiling the wheels of the war machine. It has, presumably, unrivalled knowledge of foreign countries and of their likely reactions in given circumstances; it can interpret these reactions both to the Government and to the people at home; and, through its

representatives in foreign countries, it can act as a mouth-piece for the war policy of the British Government. Here however, there is almost as much need of clarification as in the major problem of securing the complete subordination of diplomacy to the purposes of the war or, in more concrete terms, of the Foreign Office to the War Cabinet. The work of keeping public opinion in this country informed has been transferred to the Ministry of Information, whether the Press Section of the Foreign Office has migrated. The change of place, however, seems to be of only geographical significance, for the Ministry of Information has, apparently, no competence to decide what information shall be given out, or in what form. A similar lack of co-ordination or authority is apparent in other spheres, such as broadcasting and, although criticisms cannot be based on the same certainty, in Britain's secret propaganda.

As for the transmission of news abroad, here again the Foreign Office, through its Press attachés, is the normal channel, and there can be no doubt at all that both the quality and the quantity of the news are insufficient. The question has been brought to a head by America. There is constant and universal complaint from the United States that the British news service is inadequate, that it fails to make use of what propaganda value—great or small—the news may have, and that it is generally late. The responsibility lies with the Foreign Office. Its officials can, with justice, reply that nothing in their training fits them to grasp the propaganda value of news and to put it across. In that case, their obvious course is to transfer the responsibility to some body of people who are capable of grappling with the problem. It remains to be seen whether the setting up of a new agency for information in New York under Sir Gerald Campbell will go far enough to meet the present unfortunate situation. The outsider might feel more confident of a happy outcome if the Foreign Office in the past had shown more gracious readiness to divest itself of functions which it was not, in time of war, well fitted to perform. It is obvious that one of the difficulties under which the Ministry of Information labours is the unwillingness of the Service Departments, including naturally the Diplomatic Service, to abandon to it the work of information which, nevertheless, they are not willing or able to perform efficiently.

In the war, then, the rôle of the Foreign Office must be in diplomacy one of absolute subordination to the War Cabinet, and in information one of willing co-operation with the organisations in which the duty of disseminating news is vested. If these two criteria are observed, there is no reason why the Foreign Office should not make an effective and distinguished contribution to the nation's war effort, while Sir Malcolm Robertson's report gives promise of an even more effective and distinguished future.

Bank Credit and Inflation

MONTH by month the publication of the returns of the Bankers' Clearing House reveals how rapidly the volume of bank credit is being expanded, and with what purpose. The May return, for example, shows that the total of bank deposits in the hands of the public has increased by £657 millions, or 30 per cent, over the preceding two years. And, in the same two years, the increase in the volume of credit placed at the disposal of the Treasury by the clearing banks' holdings of gilt-edged securities, Treasury Bills and Treasury deposit receipts has been about £685 millions. The rate of increase in recent months has been considerably faster than over the whole two-year period, though seasonal fluctuations naturally tend to obscure the picture. In the past twelve months, bank credit has been created to the Government extent of £33 millions a month and lent to the Government. The circulation of currency is more than keeping pace. Bank deposits have increased in a year by 17 per cent, notes in circulation by 10 per cent.

Nevertheless, it is the declared opinion of the Chancellor of the Exchequer and of his expert advisers that there has been no monetary inflation, and even those sceptics who dissent agree that the degree of inflation is small. Here, evidently, is a paradox, one that adherents of the old-fashioned Quantity Theory would find it impossible to resolve. Money is being created *ex nihilo* and spent; why is there no inflation? It may help to clarify thought if an attempt is made to explore this conundrum.

Definitions of inflation are proverbially numerous and contradictory. In the framework of war economics, however, the meaning of inflation is fairly clear. The object of every policy of war economics is to reduce civilian consumption in order that production of munitions may expand. Inflation is the technical description of one of the various methods of attaining that object—the method of cutting down consumption by raising prices. The two great objections to it are that it is unjust while it is going on, and that it leaves behind it a fearsome legacy of mal-

INDEX TO VOLUME CXL

Shortage of paper makes it impossible in wartime to follow the normal practice of distributing to every reader a copy of the Index to *The Economist*. Copies of the Index to Volume CXL (January to June, 1941) will be available early in July, and will be sent, free and post free, on application.

As our records have been destroyed will those of our readers who have applied for previous indexes kindly repeat their instructions?

THE ECONOMIST - Brettenham House - London, W.C.2

Will Readers note that from the date of this issue *The Economist's* Telephone No. will be
TEMPLE BAR 3316?

exerted a depressing effect on wage or salary rates. It is certain that all that can be forecast surely is that, with family allowances, children would be better provided for; that large families would not be penalised; and that the hard lot of the working-class mother would be bettered.

Proposals for family allowances have been handicapped from the outset by the perennial and unsensational nature of the problem. The poor indeed are always with

us. But the problem has altered since the outbreak of war, and only a comprehensive system of family allowances can take the sting out of war economic policy—financial, fiscal and distributional. While higher prices, taxation, rationing and shortages are being employed to set an upper limit to consumption, family endowment can secure the minimum, which is demanded by the national interest as well as by the social conscience.

NOTES OF THE WEEK

Outlook in the East

After a week of report and counter-report, there is still nothing definite or final to be said about the state of Russo-German relations. It seems obvious that Germany is on the eve of some great move. Her armies are nowhere in motion, air attacks have been on a small scale in west and east, and contrary to general expectation, no step has been taken to reinforce French resistance in Syria. The unsettled question is where the move will be. Certain facts are, of course, reasonably well established. There are a large number of German divisions on a war footing along the Russo-German frontier, including military and air force units which have been brought north from Greece and the Dodecanese. Preparations have been made by the Finns and the Roumanians—both peoples with a grudge against Russia—which point to war. Finally, Germany is conducting a propaganda campaign designed to convince the world that an attack on Russia is likely. Admittedly, there seem to be almost overwhelmingly powerful reasons why Germany should not invade Russia. Britain is undefeated; the whole of Europe has already to be policed and supervised; the total reorganisation of Russian agriculture and industry is whole-time work even in peace, and Germany is not at peace. Moreover, a campaign now, however quick, might interfere disastrously with a harvest upon which Germany is relying for much of next year's fodder. The only safe assumption for Britain is that the next attack will probably be launched against this island. Nevertheless, the facts must still be explained. Hitler does not indulge in the very heavy expense of large-scale troop movements just to give Stalin a friendly wave over the wall. Rumour has it that the Nazis are demanding the independence of the Ukraine under German management and the demobilisation of the Russian armies in the west. The rumour comes from Berlin, and may be read as part of the usual technique of demanding a ludicrously high price in the hopes of making a merely high price seem moderate. The real terms may well cover a much more modest "business deal"—more deliveries, the reorganisation of transport, the exchange of technicians and the like—and, in the military sphere, joint pressure on Turkey rather than any permission for the transit of troops to the Caucasus. That Stalin will give way on anything but a final provocation is almost certain. The denials of tension contained in the Tass Agency statement—written by Stalin himself?—recall the ostrich policy of other threatened neutrals. The interesting problem is the nature of the final provocation that might precipitate war. But as only Hitler knows how much he will ask and only Stalin how much he will give away, the surrounding world can only wait and see.

The Turks Decide

The Germans have been making good use of the lull in one sphere at least. After weeks of diplomatic pressure and veiled military threats, the Turks have consented to a Pact of Friendship with Germany. The British Government was kept informed of the progress of the negotiations, and the new treaty specifically leaves intact Turkey's obligations to her old ally. The terms—which include a mutual guarantee of the integrity and inviolability of the contracting parties' territory—would perhaps be unexceptionable if the wording of a treaty with Germany ever bore any relation to its real significance and if the ominous condition of further "joint consultation"—further German pressure in other words—was not attached. The Treaty is accompanied by a Note which covers the promotion of economic rela-

tions, and Turkey will, no doubt, shortly return to the vassalage of depending on Germany for some 50 per cent of her foreign trade from which she emerged, with the help of British credits, in 1938. True, the Turks are encircled in the West and Britain has not given a very reassuring military performance in the Eastern Mediterranean. Nevertheless, the Turks have successively failed to fulfil the obligations of the Treaty of Ankara, and it may be questioned whether they would be in their present state of impotence if they had fulfilled the Treaty's terms when Italy entered the war in June, 1940, or invaded Greece in the following October.

Summer Raiding

There has been a break in the enemy's intenser attacks on ports and towns, and the usual questioning has followed. By now, after repeated experience, the thesis that lulls of this sort imply some weakening in the enemy's power to strike does not carry much conviction. It is more likely that these short summer nights are being employed for the periodic reorganisation and tactical adjustment that is now known to be part and parcel of air fighting on both sides. It is a sign of new strength, but not necessarily of any superiority and still less of mastery, that British raids on Western Germany, on enemy-occupied harbours and on the enemy's coastal supply routes—which are vital to his over-pressed transport—have been going on without a break. It is now feasible for British bombers with fighter escorts to range over enemy territory by day, so that, despite the short nights, fairly distant darkness raids are possible, in addition to the "sweeps" over near-by objectives which have become familiar. German raiding has by no means ceased. There has been no real mass attack since the middle of May, but there has been "widespread" activity on many nights, and it appears that, in face of this country's improved defences, the Germans regard it as more profitable and less costly, in their routine operations to make sharp, scattered forays over a wide area against airfields and specific military objectives.

Strength in Defence

Even before this week's announcement about "radio-location," which has made it possible ever since the first Battle of Britain to detect the approach of raiders without permanent fighter patrols, it was plain that the invariable pattern of war, by which offensive weapons soon find an answer, was being repeated. At this stage, the bombers can be promptly found by day or by night, but only in daylight or moonlight can they be shot down in anything approaching deterrent numbers. The chief satisfaction, apart from the promise of still greater successes which the proposed expansion of radio-location equipment and personnel offers—which, it is to be hoped, does not mean that, up to now, there has been any delay or lag in bringing these devices into large-scale production and use—is that the German defences do not yet seem to have found any similarly effective reply to raiding. By day and by night, the balance of losses is comfortably in favour of the RAF, though the current margin is in no way decisive, and it is reasonable to look forward to the second Battle of Britain with some confidence. The points which are being piled up by the RAF in these quieter rounds do not remove the likelihood that the enemy will still try again for a knock-out; it is the chief secret of the Germans' successes that they will court and bear great losses to attain an objective. But this will only be when the *Luftwaffe* can hope for rein-

forcement from invading troops or when the steady pressure of the Atlantic blockade is believed to have enervated this country. If no chance is taken in any defensive detail, if the fate of the Cretan airfields is studied and if Anglo-American co-operation on the Atlantic fulfils its hopes, the attack—which would be the real *Blitzkrieg*—will fail. But easy *a priori* arguments against the practicability of invasion will not make it impossible.

Losses at Sea

Last week Mr Churchill hinted that shipping losses in May would prove to be better than for many months. Once again, however, late news of further losses is altering the picture, and the expected announcement has been delayed. A passage in the Prime Minister's speech comparing Allied with Axis losses in May seemed to suggest that the former might be about 350,000 tons, and it can be anticipated, though with no certainty or inside knowledge, that the latest revisions may possibly bring the total into the over 400,000 tons range where it has remained during the crucial stages since the winter. It is alarmingly high—if it goes on for any length of time. But there is another part of the forest; the Atlantic is only one battlefield. Mr Churchill's reference to Axis losses was a reminder of the counter-offensive by plane and submarine that is being waged against German and Italian supply lanes around the coasts of Europe. The task of nourishing Axis power throughout Europe and the Mediterranean requires many ships, and the rate of loss, with little or no naval protection, is high. It is give and take, for British naval losses in recent operations have also been relatively high, in cruisers and destroyers; and it is an index of the vast scope and arduousness of the struggle that, since the war started, 46 British destroyers have been lost—against 50 transferred from the United States.

After the Robin Moor

The full story of the sinking of the *Robin Moor* on May 21st has now been established. The attack was perfectly deliberate, for the German U-boat commander knew that the ship was American, that its destination was South Africa, and that it carried no war material. Moreover, the choice of the Southern Atlantic, midway between Brazil and West Africa, for the torpedoing was clearly designed to influence South American opinion and to "call the bluff" of the United States. So far, no action has been taken by the Administration, but merchant vessels may now be armed and the negotiations which are going on over a United States air base in Brazil are obviously relevant. The whole incident suggests a radical change of Nazi policy towards America. It has been generally assumed that it was in the interests of Germany to keep the United States out of the war. Can it be that, despairing of preventing American participation, the Germans are now attempting to force the pace in the hopes, on the one hand, of creating a deep national cleavage of sentiment on the question of belligerency and, on the other, of focusing America's war production on her own needs rather than those of Britain? In any case, a change of policy in Berlin has little significance in Washington. The Nazis are as powerless to bring the Americans into the war as they were to prevent them from giving all aid to Britain. The policy of the United States Government will be determined by the President, and there is evidence this week that he has found a number of new methods of continuing a vigorous undeclared war. The freezing of all Axis credits—amounting to perhaps £100 millions after the recent considerable outflow to other neutral countries—is a rational completion of the freezing of the credits of all occupied countries. It is known to have been discussed for some time, but there was a certain opposition to it in the Administration. This step will put an end to a number of Axis transactions; for example, the buying of goods in the United States for delivery to South America or the financing of pro-State propaganda and sabotage in the United States. This latter activity will also decline as a result of the President's decision to close all German consulates, the German Library of Information and all German travel agencies, and to deport the officials working in them. This step does not constitute the breaking off of diplomatic relations, for the action is taken on the grounds of the various organisations' abuse of their position. If the Germans choose to interpret it as a diplo-

matic breach, they are free to do so. It is clear that the President is leaving it to them to force the issue.

Speaking for Europe

One popular explanation put forward to explain the massing of German troops on the Soviet border is that, since Hitler is ready to announce his United States of Europe any day now and is preparing a "peace conference" at which the "new order" will be formally ratified, he is trying to bring pressure to bear on Stalin to join in this consummation and give an air of greater stability, even if not of greater respectability, to the whole procedure. If the conference is really to occur, then it is only fitting that the real spokesman of the nations of Europe should have had the first say. Mr. Winston Churchill, speaking at St. James's Palace to an assembly of all the oppressed nations of Europe, gave a horrifying, yet sober and adequate, account of the "order" which Hitler may call together the "vile race of quislings" to ratify, and the whole gist of his speech was that "it will not be by German hands that the structure of Europe will be rebuilt or the union of the European family achieved." With this there can be no quarrel. But it is pertinent to ask whether the Allied nations are working on the more positive question of determining how and by whom the structure actually will be rebuilt. There are unrivalled opportunities for discussion and clarification in the presence of so many distinguished Europeans on British soil. Are they being fully utilised?

The Syrian Campaign

Impatience is increasing over the slow pace of the Allied advance into Syria, an impatience which has undoubtedly been fed by over-hopeful statements on the imminent fall of Damascus and Beirut which appeared in the first days of the campaign. The British public are accustomed to the speed of German advances, and it is difficult to convince an audience that has witnessed so many brilliant sprints that the slow pace of the British performers is due to policy and not to lack of skill. The tempo of the Syrian campaign is clearly dictated, not only by a somewhat inadequate mechanical equipment—one observer has reported on the inability of his contingent to advance faster than the marching pace of its infantry—but also by a laudable desire on the part of the Allies to advance by persuasion rather than by force. The result has been that towns such as Tyre and Sidon have been taken undamaged and the processes of Syrian life can continue unhampered once the operations have moved on. Since the British will not only have to conquer but also to hold and develop Syria until the Armistice, it is obviously of crucial importance to secure the good will of the inhabitants, and it is to be hoped that food



1563 1831

MARTINS BANK LIMITED

EXPORT BUSINESS

Martins Bank can advise on Exchange Control and on financial and economic conditions in the Dominions, Colonies, and neutral countries.

London District Head Office: 68 LOMBARD ST., E.C.3
Head Office: WATER ST., LIVERPOOL 2
Total Assets - - £147,000,000

is coming up behind the Allied forces to increase the general harmony. But the disadvantage of this method is the time it has given the Vichy authorities to rally their officers and to concert on a plan of resistance. The fighting has steadily increased in intensity since the action began, and now the French are launching effective counter-attacks which at Kuneitra and Merj Ayoun have carried them behind the Allied line. Reinforcements are on their way, and the situation is described—rather ominously perhaps—as being “in hand.” The effect of this more vigorous defence must be to modify the Allies’ policy with regard to delay and parley. The fall of Beirut, Damascus and Aleppo would probably bring resistance to an end, and although to combine speed and persuasion would undoubtedly be the ideal, the Vichy officers are not open to persuasion and the men, who are half-friendly, half-apathetic, cannot be reached and persuaded until they have surrendered. The call, therefore, must now be for speed and progress.

* * *

Back-Yard Hens

In the House on Wednesday, Major Lloyd George, Parliamentary Secretary to the Ministry of Food, announced an adjustment in the Government’s egg control scheme. The aim of the scheme, to relieve the present acute maldistribution of eggs by the introduction of a uniform ration, is highly laudable. The corollary, that the Ministry must control supplies of home produced as well as imported eggs follows. Before the latest amendment, a difficulty threatened to arise from the fact that producers with fewer than twelve hens could retain all their eggs for their own consumption; producers with more than a dozen birds could only retain an unspecified proportion of their eggs after application to the local Food Office. Clearly, there was a very great danger that the owners of a dozen birds or more—and there are a considerable number of them—would prefer to reduce their flocks to 11 and slaughter the surplus. The only result of the new scheme, therefore, was likely to be that even fewer eggs would find their way to the Government packing stations than previously found their way to the market. The difficulties in the way of the control of slaughtering, or control over the withholding of a substantial number of eggs from sale, appear to be insoluble. They have been abundantly demonstrated in Russia and Germany, where the régimes command a powerful secret police. But now an inducement to producers, both domestic and commercial, to sell eggs to the packing stations is to be provided in the form of an increased price, the difference being met by Government subsidy. Apparently, permission for the commercial producer to retain eggs for his own consumption is to be easily obtained. Major Lloyd George is reported to be anxious to avoid the decrease of any more hens. Allocations of feeding stuffs coupons to commercial producers are, however, to be determined by the number of eggs offered for sale, so that there will be an inducement, in addition to the subsidised price, to send the maximum number of eggs to market. In Scotland, special arrangements are to be made where producers are a long way from packing stations. It is highly satisfactory that the authorities have seen their way to defining the domestic producer on a more generous basis, which now includes as many as fifty backyard fowls. All classes of producers have, of course, the right to sell all their surplus produce to the packing stations, and the adjustment might be accompanied by an appeal to sell the maximum number, on the lines of the appeal to sell home-produced fruit to Government jam-making centres. There was little hope that any scheme could be expected to work which placed the interest of the individual in such contrast to his duty to the State—unless it could at least be enforced by effective control.

* * *

The Problems of Housing

The second day’s debate on civil defence produced a detailed description of the working of the regional machinery, an encouraging account by Mr Ernest Brown of the steps being taken to evacuate the under fives from London, and a most interesting and constructive maiden speech by Mr Willink, who since last autumn has been a deputy-Regional Commissioner in charge of London’s homeless.

His speech underlined what has been becoming apparent since the resumption of heavy air raids in the spring and was brought out in the Select Committee’s Report on civil defence—that building casualties have been out of all proportion to human casualties; that, in fact, the destruction of houses is becoming a major problem. The enormous number of people rendered homeless after a raid was, as Mr Willink pointed out, the most surprising feature of air-raids when they began last autumn; since then London has a system of rest centres, billeting and rehousing which, in most boroughs, is working well. But, even in London, the destruction of houses in some districts has been so heavy that even with evacuation the reserve of accommodation is not inexhaustible. In the provinces, and especially in the smaller towns with a military objective employing the greater part of the working population, the position is more acute. It would obviously be theoretically more satisfactory if the unessential population could be encouraged to leave towns such as these in order to diminish the demands on housing; but it would be impracticable because housing accommodation is already congested enough in the reception areas with former evacuees and the Services. There is, however, a lot to be said for the suggestion that an area of 25 miles or so round a target town should be cleared of all evacuees from other parts of the country, so that accommodation in it can be reserved for the target’s workers in case of need. It is too much to expect such workers to be dealt out among a gradually dwindling number of houses in the town itself. The Ministry of Health might well groan at the thought of another large-scale population movement which a scheme like this would involve, especially where it would mean moving happily settled evacuees. But it would perhaps be better to do it now than to be stampeded into it next winter.

* * *

The Empire’s War Effort

A new stage in the British Commonwealth’s industrial effort seems to have been reached. In the first stage, which was hardly begun a year ago when the fall of France awoke the Dominions to the reality of the danger, munition industries were started and expanded alongside the normal peacetime secondary industries, which were themselves allowed to expand as the import of manufactures from overseas became more difficult. Thus, in New Zealand, the Government continued its public works programme—though with the intention of reducing it *pari passu* with an increase in war expenditure. In Australia, an expansionist credit policy was pursued to begin with, because of the large number of unemployed. But no effective steps seem to have been taken to see that the unemployed were absorbed into war industries; and many new consumption goods industries were allowed to spring up. In the other Dominions, the story is the same. All have been trying to run a war economy and a civil economy on the same level and at the same speed. It is true that the latest Budgets of the Dominions show a greater anxiety to meet the greatly increased war expenditure by taxation. The additional new taxation imposed in the Canadian Budget should increase the tax yield by about 40 per cent in a full year; and by Australia’s supplementary Budget of last December £A31 millions of new taxation, equivalent to an increase of 27 per cent on tax revenue for 1939-40, is to be raised in the second half of the current financial year alone. Yet the increase in the national income of the Dominions has been so rapid that it is doubtful whether taxation is anything like high enough to prevent the fear of inflation—it is certain that it is not high enough to bring about the transfer of men and plant from civilian to war industries. The result is that all the Dominions are now experiencing a shortage of machine tools and a shortage of skilled labour—but rationing is virtually unknown.

*

To state these problems does not imply that the Governments concerned are not fully aware of them or that nothing is being done about them. Mr. Stuttaford, Minister of Commerce and Industries, has warned the South African public of the need for economy in non-essential expenditure and has hinted that steps may be taken to discourage imports from America and Japan. But the most heartening sign of the awakening has, not unnaturally, come from Mr Menzies who, in a broadcast this week, announced stern measures to extend Australia’s war effort. Civil production and consumption are to be overhauled, and civil industry

is to be concentrated on a limited number of essentials. Rail and road transport is to be Federally controlled, and coastal shipping is to be requisitioned. The monthly consumption of petrol is to be further cut from 20 million to 12 million gallons. Strikes and lock-outs are to be prohibited, and vigorous action will be taken by the Arbitration Courts against offending unions and employers. These and other measures are as familiar to the people of Great Britain as the problems they are designed to solve, and it is to be hoped that the Australian example will be followed by the other Dominions. It is in no cavilling spirit or lack of gratitude that criticism of their war effort is made. Britain is aware of the internal political difficulties that all the Dominion Premiers have to contend with; it is not certain, from the news so far, to what extent Mr. Menzies is finding it possible to carry the Australian Labour opposition with him in the national effort he has announced. It is only too obvious that Britain herself has set far too slow a pace. But it can legitimately be urged that the Dominions should forget all about their industrial output of 1914-18, comparisons with which seem to blind them to what is needed in this war and what can still be done.

* * *

A Plan for Building

There are indications that the Ministry of Works and Building, under Lord Reith as the Minister and Mr Hugh Beaver as Director-General, is facing its task of making the best of available resources in operatives and materials. The chief difficulty is the shortage of labour rather than the scarcity of bricks and cement. The industry’s labour force has been reduced from 1,350,000 to 750,000 since the outbreak of war, but it is hoped that its present resources will break of war, but it is hoped that its present resources will enable it to carry out a programme involving the expenditure of some £350 millions per annum. As a first step, it has been necessary to relate the building programmes of the various Government Departments to the limits fixed by the industry’s capacity, and, in order to prevent unessential civil building—which is, apparently and rather surprisingly, still possible—the licensing system is to be tightened. Secondly, the Ministry of Works and Building is now taking steps to ensure that the year’s output of the building industry will in fact reach the target figure of £350 millions. The application of the Essential Work Order is designed to prevent a further depletion of the labour force in building and civil engineering, to reduce the heavy turnover of operatives within the industry, and to stimulate the output per man. Thirdly, the Ministry aims at increasing the mobile corps of operatives, available for dispatch to any part of the country at short notice, from some 5,000 to 100,000 men. So far as this side of the Ministry’s activities is concerned, it has shown commendable initiative. But the programme has yet to be carried out, and much remains to be done to adapt the organisation of the building industry to the present emergency by making the methods of contracting more apt and orderly.

* * *

Fighting Round Sollum

Fighting has suddenly flared up on the Egyptian frontier, and it is not the Germans who have taken the offensive. On June 15th the British forces near Sollum attacked the town without success, but the British thrust developed to the south of the town and, fighting their way along the top of the escarpment, some units reached Fort Capuzzo. Then the Germans brought up heavy reinforcements, and after a day’s furious fighting, the British forces withdrew to their original positions, taking some hundreds of German prisoners with them. Both sides claim a victory, and since it is not possible to say what General Wavell had in mind in launching the attack, it is equally impossible to judge whether he obtained the desired results. Presumably it was an attack of the kind that led to the fall of Sidi Barrani. This attack was launched last December in order to disturb Italy’s advance guard and to test the strength of the defences. Its unexpected success led the British Army, by a series of sorties and sieges, to Benghazi. On this occasion, the attack probably succeeded in its original purpose—that of disorganising the enemy and securing information—but there was no unexpected victory to open up vistas of further successful offensive action. The British, therefore, retired with their prisoners, leaving the Germans

to reorganise their advance positions—a costly business, since it has to be completed hundreds of miles from the nearest base.

* * *

The Slippery Slope

The troubles of the Tobacco Controller multiply, and the fact that the present uncontrollable situation might have been prevented, or at least held within limits, by appropriate action on the part of the tobacco companies or the authorities many months ago, is now scarcely relevant. There is a “run” on the shops, and the classic way of dealing with a run, that is, to let the stampede have all they want, in order to restore their confidence in supplies, is not succeeding. Stocks, in fact, are running down with alarming speed. It must almost appear to Mr Maxwell, who has released tobacco in record quantities, that demand is a bottomless pit; and, since something will have to be done about this runaway movement—still greater quantities of tobacco cannot be imported—it is opportune to ask whether the possibility of rationing should not be reconsidered. Because a large part of the population does not smoke, a basic ration for every individual would mean a large trade in coupons; but it would ensure a minimum supply, albeit a small one, for every smoker—which is not guaranteed in the present scramble. The idea of a ration “group,” in which tobacco and cigarettes would be included with chocolate and sweets, has also been suggested. It is difficult to estimate how the demands for these diverse commodities would balance; and chocolate and sweets are foods which, up to a point, should be reserved for children—who do not smoke. At any rate, the problem is plain—to keep consumption back to near its pre-war level and to ensure that some tobacco or cigarettes will be available for every smoker. The present policy of feeding demand—even using precious shipping space to do so—is failing; the suggested prohibition of tobacco for women is absurd and unfair; and the continued presence of tobacco advertising, designed to stimulate demand, is ridiculous.

* * *

Tax-Free Incomes

The full text of the amendments to the Finance Bill affecting tax-free incomes is not yet available, but the explanatory White Paper (Cmd. 6283) and the Chancellor’s statement introducing the necessary resolution make the proposition sufficiently clear. Free-of-tax payments, under pre-war contracts, in respect of alimony, annuities under wills and settlements, salaries, and interest so arranged as to yield a fixed net amount after deduction of tax are to be fully satisfied by provision of the gross amount necessary on the outbreak of war, when income-tax was at 5s. 6d. in the £. So far as these payments are to be made from a fund already taxed, only the net payment has to be made to the beneficiary, who can, however, recover tax to the extent that he is not liable to the full rate. This means, in effect, that the recipient of £1,000 net in pre-war days will now

INSURE WITH



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

receive £689 13s., the difference representing tax at 4s. 6d. in the £—the wartime increase—on his pre-war gross income of £1,379 6s. In general, the amendment does not apply to payments which are tax-free only up to a prescribed limit, nor does it apply to any tax-free dividend. Nor are the tax-free payments of building societies brought under control, since other means exist of dealing with them. Payments, other than those out of a taxed fund, are mainly salaries and wages. In this case, the principle is the same, and the employer discharges his bargain when he has met the tax charges which would have been due had the rates of income-tax, and of personal allowances, of 1938-39 and the sur-tax rates of the preceding year still been in force. This appears to mean that a married man with two children, in receipt of £1,000 net pre-war, will now receive some £780, together with the right to a refund after the war of about £55. The reasons for the exclusion of dividend payments from the reform are discussed in a note on page 830.

Shorter Notes

Particulars were given in the Votes of Credit 1941-42 White Paper of the numbers employed by the various war ministries, other than those responsible for the fighting services, on March 1st last. The largest staff is employed by the Ministry of Food, which employs 4,822 persons at headquarters, and 23,097 in divisional and local food offices, at an estimated total cost of £4,568,000 in 1941-42. The Ministry of Supply has a headquarters staff of 9,062, and the Ministry of Aircraft Production one of 5,778. The Ministry of Home Security has a total staff of 4,658, including those in regional offices. The Ministry of Information has 1,357 employees at headquarters, 343 in the regions and 609 abroad. There are 31 Press censors in London, 104 assistant Press censors and 20 deputy assistant Press censors. Under the same Ministry comes the Postal and Telegraph Censorship with a staff of 9,187 at home and abroad. The

total salary bill is estimated at £2,704,000 out of the Ministry's total expenditure of £6,195,000. The balance includes an allocation of £2,700,000 for publicity.

The following table gives the number of civilian casualties in air raids since mass raiding began last September:—

	Killed	Injured, Detained in Hospital	Total Serious Casualties
Total Sept.-Dec., 1940 ...	21,669	30,556	52,225
1941:—			
January ...	1,502	2,012	3,514
February ...	789	1,068	1,857
March ...	4,259	4,794*	9,053
April ...	6,065	6,926	12,991
May ...	5,394	5,181	10,575
Totals to date ...	39,678	50,537	90,215

* Amended.

In May, of those killed 2,512 were men, 1,994 women, 753 children under 16 and 135 unclassified. In addition, 31 men, 25 women and 19 children are missing and believed killed.

In the settlement of the libel action brought by Sir Roger Keyes against the *Daily Mirror*, the full story of King Leopold's surrender was revealed to the public for the first time. It appears that the King did inform the British and French authorities that he was about to ask for an armistice. One message was sent both to London and Paris on the morning of May 27th, and another saying that the King was to ask for an armistice at midnight was sent at 5 p.m. the same day. Unfortunately, as all communications with the British Army were cut, the messages did not reach the Commanders-in-Chief. Thus, Sir Roger Keyes, who was special liaison officer to the King, was completely justified in asking for judgment to be suspended, and though King Leopold's dignified attitude since the occupation had already dispelled most of the feeling against him, wide satisfaction will be felt at this confirmation of his integrity.

THE WORLD OVERSEAS

Difficulties at Ottawa

[FROM OUR OTTAWA CORRESPONDENT]

May 23rd

THE Federal Parliament has been occupied with the committee stage of the Budget, but once the Budget is disposed of, very little business remains. Mr Mackenzie King, however, has intimated that Parliament will not be prorogued but will adjourn; it is presumed that if the Senate of the United States ratifies the American-Canadian treaty about the St. Lawrence Waterway he intends to bring back the Canadian Parliament at once to give the necessary endorsement. The Opposition groups have been criticising details of the Budget. Mr Hanson, the Conservative Leader, has

taken strong objection to the imposition of Federal succession duties in addition to provincial duties of the same kind; there was also a concerted attempt to exempt farmers and fishermen from the 3 per cent per gallon tax on gasoline, but the Minister of Finance has stood firm against any concessions. He has secured the acquiescence of most of the provincial Governments for his proposal that, in return for adequate financial compensation, they should withdraw for the duration of the war from the field of personal and corporation income taxation, but the Ministries of Ontario and Alberta are likely to withhold their consent.

The King Government is discovering that its attempt to maintain friendly relations with the Vichy Government is involving it in increasing embarrassment. Popular pressure in the English-speaking provinces for the dismissal of M. Ristelhueber, the representative of the Vichy Government at Ottawa, has been intensified by the news that a number of Canadians, who are survivors from the torpedoed freighter *Portadoc*, are being detained in French Guinea. About this a strongly worded protest has been sent to Vichy, and reports from Ottawa assert that the staff of the French Legation has made preparations for an early departure.

The Canadian Dairy Products Board announced on May 22nd that all cheese produced in Ontario and Quebec is until further notice to be exported to Britain; as these provinces produce 85 per cent of the cheese made in Canada, this order means that, until large shipments have been made to Britain, no new cheese will be available to domestic consumers. Officials at Ottawa have explained that there is sufficient cheese in store to meet the immediate domestic needs of Canada and that the rationing of cheese for the purpose of reducing home consumption will only be decreed if some difficulty arises in providing the 112 million pounds of cheese promised to Britain.

Given below are data about the weekly economic index

of the Bureau of Statistics and some of its major components:—

Week Ended.	Car-loadings.	Wholesale Prices.	Bank Clearings.	General Index.
May 11-40.....	83.9	82.8	100.5	106.2
April 26-41	98.9	86.4	109.6	111.3
May 3-41	98.1	86.7	110.8	111.4
May 10-41.....	97.9	86.9	101.3	109.8

In April the output of steel ingots reached a new monthly high record of 190,199 tons, which was about 43,000 tons more than the figure for April 1940; for the first four months of 1941, the total output of steel ingots was 725,693 tons, compared with 591,625 tons in the same period of 1940. New industrial plants, built to turn out war materials of various kinds, continue to come into operation at intervals, and the Government has lately announced plans for the construction at Windsor, Ontario, of a large new plant for the manufacture of machine-guns for aircraft, which will cost about \$8 millions and employ some 3,000 workers. There is a tremendous demand for aluminium products for the manufacture of aeroplanes, and, as the result of the new agreement between Canada and the United States for close co-operation in their industrial war programmes, the Aluminium Company of Canada has received from the United States orders for some \$63 millions of aluminium products and will have to enlarge its manufacturing facilities to take care of them.

All the shipyards in the country are working at full capacity, and a demand for raw materials is being created by their activity. The shortage of steel is being met by imports from the United States, but plans are afoot to expand the productive capacity of one of the large steel enterprises of the Dominion Steel Corporation, which has

rolling mills at Sydney, Cape Breton. The forestry industries continue to fare well; in April the output of the newsprint mills amounted to 279,996 tons, compared with 275,769 tons in March and 268,000 tons in April, 1940.

Portugal Restricts Illicit Exports

[FROM OUR LISBON CORRESPONDENT]

June 12th

HEAVY fines on first offenders, with further offences punished by expulsion from Portugal for six years—these are the penalties henceforward exacted for the export of merchandise not covered by official licence. Comprehensive and severe, the new decree affects all who initiate such transactions, and brokers, transporters and merchants. While this decree gives yet more evidence of Portugal's determination to forestall both local scarcity and unneutral transactions, it must be remembered that there is one dangerous leak in the Allied blockade that cannot be checked. This is the sending to Germany of small lots of rare metals, commercial diamonds and the like, conveyed in personal luggage by Clipper passengers from the U.S.A. and re-shipped by German or Spanish air services from Lisbon. It may be only a trickle, but, according to report, it is fairly continuous, and the leak must be sought, and stopped, elsewhere than in Portugal.

American Preparedness

Business and Defence

THE distinction between the full emergency proclaimed by the President on May 28th, and the limited emergency proclaimed when the war began, is not very sharp. The powers of the President deriving from the proclamation of a limited or a full emergency are supplementary to the also not-too-well-defined powers of the President as Commander-in-Chief of the Army and Navy. It is perhaps adequate to say that these powers are "extensive," without trying to define them legalistically. Persons familiar with the late Lord Tweedsmuir's "Augustus" will recall that he laid less stress upon the various specific offices conferred upon Augustus than upon his *auctoritas*—a rather vague but extremely real concept. The American Presidency provides an analogy, as American history has repeatedly illustrated. The declaration of an emergency is itself an executive act, requiring no ratification by Congress, and is in no way comparable with rather similar provisions in various European constitutions, such as proclamation of a "state of siege" or suspension of the Constitution. It is rather an affirmation of the *auctoritas* of the Presidency.

It is in the economic and industrial field that *auctoritas* is most needed. In its fits and starts, the change-over from a peace to a war economy in America reflects the state of neurosis which afflicts every country on the brink of war. Great Britain passed through the same ordeal two years ago. America is sharpening its sword. But progress is uneven; there are huge Government appropriations for expenditure on home defence and on equipment for Great Britain; but current expenditure on defence still represents little more than ten per cent of the growing national income. There has as yet been no reduction in the output of consumption goods, while the unemployed are still counted in millions. The output of motor-cars and lorries, ordinary civilian and commercial vehicles, for instance, during the first three months of this year, was 1,494,000, against 1,260,000 in the corresponding period of 1940, and 1,017,000 in 1939.

The state of business opinion some weeks ago is reflected in the results of a ballot addressed to important "executives," published in the May issue of *Fortune*. Some 40 per cent of these executives hold that the armament programme must go forward with all possible speed, and must take precedence over "business as usual." A further 50 per cent thought that, while the programme must be pressed forward vigorously, it should be carried out with "a minimum of disruption of our ordinary domestic economy." Of the remainder, 9 per cent took the view that there was "an exaggerated emphasis upon building more arms than we are ever likely to need to protect our interests."

The same business executives were asked to state

ALLEGED CAUSES OF DELAYS IN ARMS PRODUCTION	%
1. Methods of placing government orders, red tape, delays ...	43.5
2. Long-standing lack of mutual confidence between government and business ...	41.8
3. Attempts on the part of labour organisations to exploit defence needs ...	41.5
4. Shortages of specialised production equipment, such as machine tools ...	33.3
5. Lack of reasonably adequate military planning ...	29.3
6. Shortages of skilled labour ...	22.0
7. Inadequate incentives to business ...	12.9
8. Inadequate foundation of industrial research in defence technologies ...	9.2
9. Shortages of certain raw materials ...	6.9



**FOR ALL
INSURANCE
NEEDS**

Head Offices:
LIVERPOOL LONDON
North John St. Lombard St.

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
REST ...	£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., V. A. Bog, Esq., Vice-Presidents
Jackson Dodds, O.B.E., G. W. Spinney, General Managers

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

London Offices: 47 Threadneedle Street, E.C.2 Edward Pope, Manager
9 Waterloo Place, Pall Mall, S.W.1 J. H. Pangman, Manager

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

whether they were critical of the progress of defence preparations, and how they would rate certain factors as contributing to the difficulties. The principal factors enumerated and the proportion of the total number of executives approached listing them as major causes of the difficulties are shown on the previous page.

These figures, which speak for themselves, derive some authority from the fact that the ballot was addressed (a) to the presidents of all the businesses rated AAI by Dun and Bradstreet, (b) to the directors of the 750 largest corporations, owning together some 52 per cent of America's corporate assets, and (c) to business executives whose salaries are at a level that assures that each of them is a person of high responsibility.

Labour and Production

Inclusive of relief workers, the number of unemployed at the end of March last year was 8,500,000. During the twelve months ended March, 1941, the number of employable persons has increased by about 500,000; the fighting services have absorbed 885,000; while employment in civil occupations, other than agriculture, has increased by about 2,365,000. The number of unemployed at the end of last March—the latest figures available—was therefore about 5,750,000. This total includes the 1,767,000 WPA workers, of which 70 per cent are engaged in urgent Government work, such as the construction of aerodromes and roads. In view of the short month worked by WPA, it is estimated that some 750,000 persons, on full time, could carry out their present tasks. On this assumption, the number of unemployed may be put at 5,000,000 rather than at 4,000,000. If allowance is made for seasonal unemployment and for persons "between jobs," the number may perhaps be reduced to 3,500,000.

THE TAXATION OF WAR WEALTH

by

J. R. Hicks, Ursula K. Hicks and
L. Rostas

12/6 net

"... an outstanding contribution to a most important subject..."—*The Spectator*
"... an example of the best type of economic research..."—*The Economist*

PUBLIC AND PRIVATE PROPERTY IN GREAT BRITAIN

by

H. Campion

8/6 net

"... in its thoroughness and lucidity the book is an excellent piece of work which nobody interested in any of the numerous problems discussed in it can possibly afford to neglect..."—*Political Quarterly*.

OXFORD UNIVERSITY PRESS

The unemployed "reserve" is thus still very large. And, in estimating the country's potential, allowance would have to be made for the much greater employed "reserve," that is, the many millions still engaged in occupations that would be unessential in a genuine war effort. In contrast to the country's enormous reserve of labour in general, however, there is a shortage of skilled labour in a number of essential munition industries. Skilled labour is moving steadily to the defence industries, but not quickly enough, and re-training programmes are in general designed to meet immediate needs only.

The strike epidemic continued in May and early June. The bituminous coal strike was scarcely over when the shipbuilders of the Pacific Coast walked out; and this was followed by a strike in one of the largest aeroplane factories. Each of these could be described as a key industry; and it is in the key industries that a strike offers the most positive prospects of success. The output of aircraft is reported to have shown a decline in May and the strike of machinists in the shipyards of San Francisco has been holding up the expansion in shipbuilding in that area.

Last week, however, when the country seemed threatened with the stoppage of work in the greater part of the aircraft industry, the Government took action by sending troops to take over a plant in which an unauthorised strike was in progress. As a result of this step and the growing indignation of the public, most of the disputes in progress have now been settled. Among the more important strikes, only those of the machinists in San Francisco—against the will of the union officials—and of the lumber men in the north-west still continue. The declaration in support of the President's foreign policy, made by nearly 100 officials of the AFL and CIO on June 16th in Washington, may possibly presage an abatement of the strike epidemic.

One of the factors, not necessarily the only or the chief one, behind the unrest that expresses itself in the demand for higher wages is the reports of first quarter corporate earnings. For example, a broad tabulation compiled by the Federal Reserve Bank of New York reported an increase of some 16 per cent over those of the first quarter of 1940. This figure comes under the general heading of pure statistics, since the companies reporting were quite in the dark as to the amount or nature of the taxation to which they will this year be subject; but it was given wide publicity and fed the general impression that business is making enormous profits out of the war. The statistics show that corporate profits in the first quarter of the year were some 10 per cent above the first quarter of 1937. The stock market averages are at present about half the level of the first quarter of 1937, which—for what it is worth—indicates that the investor regards those profits as somewhat academic in character.

The inception of a large munition programme has led to an enormous increase in the demand for machine and other tools. Exports have been reduced, though Great Britain is still an important overseas customer. Despite the rapid increase in production, delivery dates are lengthening and holding up the progress of the defence programme. The following table shows the increase in the number of days required for the delivery of various tools, between September, 1940, and April, 1941, as reported in *Business Week*:

Products	Delivery Time (No. of Days) Sept., 1940, April, 1941	Products	Delivery Time (No. of Days) Sept., 1940, April, 1941
Ball and roller bearings	14 55	Lathe chucks	11 42
Coated abrasives	10 15	Light machine tools	18 90
Drill chucks	12 50	Mechanics' hand tools	12 52
Drop forged wrenches	10 32	Milling cutters	19 60
Electric tools	10 33	Precision tools	60 160
Files	14 44	Taps and dies	13 68
Grinding wheels	14 31	Twist drills	12 60
Hacksaw blades	12 30	Vices	14 38
Hoists, electric	17 44	Welding equipment	14 20
" hand	13 24		

There is a vast store of general purpose machine and other tools in the motor and other industries. Part of these could be transferred to the munition factories. Some of them have been so transferred. But, so long as the output of consumers' goods is maintained, the greater part of this store will not be available for defence work. The motor industry has promised a substantial contribution by its decision not to change its models next year. But the need for speeding up output and the transfer to the munition factories of existing tools remains urgent if the arsenals now under construction are to be equipped in good time.

THE BUSINESS WORLD

Shipping Shares Prospect

WITH the completion of the requisitioning of all ocean-going tonnage, except tankers, early in 1940, the shipping industry entered a new regime. For normal profits, there was substituted a guaranteed rate of earnings, divorced from freight rates, and dependent, in only a very limited degree, on operating costs. The terms allow, normally, a 10 per cent return on the capital value of the ships owned; 5 per cent for depreciation—6 per cent for tankers—the normal rate, and 5 per cent for interest. But a stable guaranteed income is dependent on maintaining fixed assets, and ships are to-day more liable to destruction than any other industrial property. Shipping losses, occurring at a rate between 5 and 6 million tons gross per annum, dominate the present and the future earning power and financial position of the industry; in the absence of information as to the individual ships sunk, they also obscure the outlook for individual shipping companies. Thus, the speculative character of the industry has been increased by the war, as was inevitable. The recent upward swing of Stock Exchange prices reflects the announcement of improved profits and the resumption of ordinary dividends in the case of Cairn Line and the Union-Castle Company. Two swallows do not make a summer, however, and the known facts of the complex situation should be examined carefully before it is concluded that shipping will do well out of wartime Government requisitioning.

The treatment of the "liner" companies under the scheme differs substantially from that accorded to "tramps." Liners are paid so much per ton, to cover running costs borne by shipowners, and a separate sum for interest and depreciation based on the cost price of each ship. The interest and depreciation allowances for a tramp ship are included in the scale of payments for operating costs and are determined according to the average cost price of each vessel of its particular size. The effect is obvious. A liner company, such as Union-Castle, owning a highly efficient fleet of new or newly reconditioned vessels, receives an allowance based on their actual value, whereas a tramp fleet of ships, built at the high prices of the immediate pre-war years, may receive much less per ton and thus be unable to provide full depreciation as well as a return of 5 per cent on the capital represented. The position of these tramp ships may, however, be improved as a result of negotiations recently begun.

As stated, full requisitioning began early in 1940 and, in consequence, reports dated prior to December 31st last are liable to give a misleading picture of the effects of the change. For this reason, and owing to its disproportionate size, the figures of P. & O. are excluded from the total in the table overleaf. The preference capital of the five liner companies amounts to £2,965,000, while the whole capital of the tramp concerns is of one class. Particularly in the case of tramp shipping, 1937 was a boom period—the first year of prosperous trading since the 1929 crash. It is a more reliable standard for comparing shipping earnings under requisition—liner and tramp—than 1939, during which the imminence and outbreak of the war affected different companies in varying degrees. The Chamber of Shipping's index number of shipping freights for 1937 was 131.5, compared with 100 for 1929 and an average of about 78 during the intervening years. The Chamber estimated that in the three years 1936-38, and particularly as a result of improved freights in 1937, tramp earnings were almost sufficient to provide depreciation for those years and to make up the £10½ millions arrears of depreciation accumulated during 3½ years of depression. It may be estimated that the earnings of 1936 and 1938 covered a year and a half of arrears, and those of 1937 the remaining two, besides current depreciation in each case. Thus, the 1937 earnings might be

estimated roughly to represent 15 per cent on the average capital value of the tramp tonnage existing at that period. The four tramp companies given in the table showed a drop in profits compared with 1937 of 10 per cent. Liner company earnings in 1937 were on a smaller scale, as there is always a time-lag between improved trading and increased Conference rates which does not occur in the case of open-market freights. The average dividend distributed in 1938 by twenty-eight liner companies, owning over five million tons gross, was 4.79 per cent on the paid-up capital.

It will be seen that each of the companies covered by the tables has shown greatly improved earnings in 1940 over those of 1939, while the liners have been able to improve on their 1937 profits. The average ordinary dividends paid for 1940 were 5.4 per cent in the case of the liner companies and 9.0 per cent in the case of the tramp; the latter compares with 6.9 per cent for 1938 and 9.1 per cent for 1937. In view of these figures, a certain optimism is, perhaps, only to be expected, but it is as well not to read too much into them. They may prove to be an exceptionally

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 & Subscribed **£10,000,000**
CAPITAL PAID UP ... **£2,500,000**
RESERVE FUND ... **£3,000,000**

BOARD OF DIRECTORS

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

General Manager in South Africa—Milton Clough

Deputy General Manager in South Africa
R. W. Normand

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

London Manager—Ralph Gibson Secretary—H. Dales

Head Office: 10 CLEMENTS LANE, LOMBARD STREET
and 77 KING WILLIAM STREET, LONDON, E.C.4

Telegraphic Address: Africorum, London

London Wall Branch: 63 LONDON WALL, E.C.2

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

New York Agency: 67 WALL STREET

EXECUTOR AND TRUSTEE BUSINESS CONDUCTED

COMMERCIAL SERVICE

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

favourable sample, and it is disclosed that the good results of the largest of the five liner companies, Union-Castle, owes something to the inclusion of taxation allowances from the previous year. As they stand, and with all allowances, the effects of the first year of control would seem to give shipowners no ground to complain of the current return on their capital. Indeed, the result seems a good deal more generous than was expected, although in view of the searching examination of the figures on which the requisition rates are based by the Ministry of Shipping accountants and statisticians, it is unlikely that the earnings of the industry as a whole will exceed the intended 10 per cent.

If the year's revenue has been much in excess of recent earnings, a different picture is presented by the balance-sheet figures. Here, rather than in the profit and loss accounts, is seen the effect of war on the prospects of the industry. In the case of both liner and tramp companies, the changes in the past year have been startling. During the year, the book value of fleets owned fell by £2,753,000 for the liner companies, while free investments, at £1,915,465, were more than trebled. Also, while appropriations from profits to reserves and depreciation were a mere £256,000, total reserves increased by £1,672,000. It is not apparent that these companies have suffered more heavily than most, and it seems only too probable that, as the accounts coming forward cover more and more of the period of intensive sea warfare, the tendency for assets to be transferred from ships to Government securities will be accentuated. The tramp ships do not show so great a change, but the tendency is the same. For both classes, there exists, in addition to the rise in investments shown, the portion of the insurance money which is retained in the Government pool, available only for replacements, while cash holdings have risen on the year.

LINER COMPANIES

Company	Net Profit			To De- preciation and Reserve	Ordinary Dividends Paid			Capital	Reserves			Fleet		Liquid Investments		1939		
	1940	+ or - Against			1940	1937	1940		1940	1939	1940	1939	1940	1939	1940	1939	No. of Ships	Gross Tons 000's
		1937	1939															
Cairn Line	£ 58,235	+31	+84	£ 40,000	£ 24,000	Nil	4	£ 600,000	£ 51,566	£ 12,828	£ 49,774	£ 336,502	£ 225,669	£ 39,469	4	20		
Court Line	182,323	-38	+48	40,000	78,750	25	15	525,000	539,052	268,750	522,923	626,588	179,426	9,442	16	115		
Houlder Line	152,781	+17	-3	104,500	41,250	7½	7½	775,000	525,000	365,000	921,683	921,183	719,325	416,310	8	59		
Lampart & Holt	187,392	+9	+70	40,000	53,568	5	6	892,804	261,356	—	539,510	†805,898	100,040	—	19	128		
Union-Castle	*558,004	+25	+163	350,000	137,000	Nil	5	5,480,000	1,703,640	491,654	9,011,705	11,201,974	870,431	143,791	31	383		
	1,138,735	+5	+79	574,500	334,568	...	...	8,272,804	3,080,614	1,138,232	11,045,595	14,002,145	2,094,891	609,012	78	706		
P. & O.	*2,084,207	+73	+57	1,579,068	344,438	4	7½	7,632,518	5,361,600	4,000,000	6,673,702	7,718,770	6,704,550	6,533,613	36	459		

* After Depreciation.

† Including payments on account of tonnage building.

TRAMP COMPANIES

Company	Net Profit			To De- preciation and Reserve	Ordinary Dividends Paid			Capital	Reserves		Fleet		Liquid Investments		Gross Tons		
	1940	+ or — Against			1940	1940	1937		1940	1940	1939	1940	1939	1940	1939	1940	1939
		1937	1939														
Britain S.S.	£ 64,437	—34	+85	£ 38,512	£ 37,500	5	74	£ 500,000	£ 212,439	£ 42,689	£ 734,922	£ 504,611	£ 100,000	£ —	000's	000's	
King Line	*93,112†	+208	+28	55,000	62,500	8	124	500,000	387,387	154,800	317,300	423,000	213,836	133,576	51	66	
Lanes Shipping ...	128,764	+29	+35	110,000	19,200	6	6	320,000	260,000	225,000	677,867	756,286	40,450	35,450	49	49	
Pool Shipping ...	166,308	-39	†	120,000	84,375	13	9	937,500	431,544	262,017	780,336	762,291	711,839	353,241	—	112	
	452,621	-10	+123	323,512	203,575	...	...	2,257,500	1,201,370	684,506	2,510,425	2,536,188	1,066,125	522,267	—	280	

* After providing for depreciation.

† 1938 profit was £95,743.

† 1939 profit was £728.

‡ Including payments on account of tonnage building.

(a) Approximate (two ships lost during the year and two ships added).

Finance and Banking

Big Treasury Deposit Payments

The banks have, this week, been called upon to pay the Treasury £40 millions in the form of deposit receipts. Of this total £1,000,000 has been collected from Dominion central banks and the remainder from the usual rota of clearing and Scottish banks. The total exceeds by £25 millions the nominal total of this week's maturities of TDR's, and the excess of payments was probably larger than this as a result of prior recalls of TDR's by the banks for investment of the proceeds in Government issues. These considerable payments have dominated the money market situation this week. That substantial demands would be made on the banks this week was foreshadowed by last

week's Bank return, which showed public deposits at the exceptionally low figure of £7,040,000. As the current payments for Treasury bills exceeded maturities by £10 millions, the receipts from floating debt borrowing have been sufficient to ease this position, and by last Wednesday the total of public deposits at the bank had recovered to £9,810,000—still a sub-normal figure. The banks, faced with heavy TDR payments, have been somewhat diffident buyers of bills, and though there has been enough money to serve all the needs of the market, there has been no real abundance of funds. The semi-official competition for bills at last week's tender was exceptionally keen. Total applications reached £166,490,000, and to ensure the satisfaction of their requirements the semi-official applicants had to tender at

£99 15s. The result was that the average rate of discount fell to just below 1 per cent for the second time since the beginning of the war. The market, which tendered at the usual price of £99 14s. 11d., obtained only 26 per cent of its applications.

Clearing Banks in May

The clearing bank returns covering the month of May are of particular interest in that they reflect almost to the full the effects of London's War Weapons Week, both on the total of deposits and on the distribution of assets. The public's withdrawal from deposits for investment in Government issues, which must have been considerable, has been largely offset by other factors in the credit situation, notably by the continuance of a current deficit which, taking the month as a whole, was greater than the income obtained from public subscriptions to Government issues in the whole of that period. Thus bank deposits are down by a mere £4,564,000 to £2,824,011,000, and even this small mere movement is largely accounted for by the reduction of cheques in course of collection. It may reasonably be assumed that, but for heavy public subscriptions to Govern-

	In £ millions					
	May 1940	Jan. 1941	Feb. 1941	Mar. 1941	Apr. 1941	May 1941
Capital and reserves	139.3	140.2	140.1	140.1	140.2	140.2
Acceptances, etc.	120.2	105.6	101.1	100.5	104.9	107.4
Notes in circulation	1.4	1.4	1.4	1.4	1.4	1.4
Current, deposit and other accounts	2,413.4	2,756.5	2,708.8	2,764.3	2,828.6	2,824.0
Total liabilities	2,674.3	3,003.7	2,951.5	3,006.3	3,075.1	3,073.4
Cash	257.0	279.1	283.6	287.9	298.4	293.1
Cheques, balance, and items in transit	78.8	111.8	117.3	120.6	113.9	112.7
Money at call	143.7	130.6	127.9	131.8	137.4	128.4
Discounts	408.7	269.2	209.9	194.2	187.8	172.8
Treasury deposit receipts	632.2	789.2	814.4	821.0	819.7	848.3
Investments	964.3	900.5	890.6	908.1	883.7	873.0
Loans and advances	23.5	23.7	23.8	23.7	23.8	23.3
Investments in affiliated banks	165.1	150.1	145.5	145.0	149.4	152.3
Cover for acceptances, premises, etc.	2,674.3	3,003.7	2,951.5	3,006.4	3,075.1	3,073.4
Total assets	2,674.3	3,003.7	2,951.5	3,006.4	3,075.1	3,073.4

ment issues during the month, the trend of banking deposits would have continued its steep upward course last month. The banks' own direct participation in War Weapons Weeks—particularly in London's effort—is largely shown in the rise of £28,626,000 in investments. The banks' subscriptions in the London week may have been greater than this, for a few of the clearing banks made up their May balance sheets a few days before May 24th, the end of London's week. A sub-drop of £10,708,000 in advances carries the reassuring suggestion that the public's subscriptions to Government issues were not swollen by funds borrowed for that purpose from the banks. It is interesting to note that the clearing banks' Treasury deposits rose over the month by £8,000,000, while the surplus of new money thus issued over maturities during this period ought to have been in the neighbourhood of £40 millions. It follows that an appreciable part of the banks' participations in the Government's longer-term issues during the month was in fact made by the anticipatory recalling of Treasury deposits.

Axis Assets in the United States

The U.S. Treasury order freezing the assets of all European Continental countries is clearly aimed at the Axis powers. It supplements the immobilisation of assets of all invaded countries which was put into effect by the U.S.A. immediately on the invasion of each country concerned. The details of the assets attached by these earlier U.S. Treasury Orders are as follows:—

	In Million U.S. Dollars.			Total
	Bullion. Currency and Bank Deposits	Securities	Other Assets	
Netherlands.....	700	796	123	1,619
France	988	448	157	1,593
Belgium	442	251	67	760
Norway	100	54	21	175
Denmark	55	27	5	92
Roumania	46	2	2	53
Luxembourg	30	16	2	48
Latvia, Lithuania, Esthonia	26	2	1	29
Total	2,387	1,596	386	4,369

The extension of the freezing order to all Continental countries—neutral as well as belligerent—is intended to make the control of Axis assets in the United States more effective than it would be if neutral nominees remained free to dispose of German and Italian assets. The neutral countries, Finland, Portugal, Spain, Sweden, Switzerland and the U.S.S.R., will in principle be granted general licences to deal with their dollar assets. But one may rest assured that these licences will be granted, and operations under them allowed, subject to close scrutiny and supervision. There is already ample evidence at the disposal of the American authorities to show the extent to which Axis funds in the United States have, during the past few months, been clothed with the harmless guise of neutral nominee accounts. Owing to these operations and some transfer of Axis funds to South American countries, it cannot be expected that the net of the freezing order will catch any particularly large fish. Official U.S. statistics show that, at the beginning of this year, short term German assets in the U.S.A. totalled \$6,700,000 and Italian assets \$17,900,000. These totals are, within a few thousand dollars, the same as those outstanding in September, 1939. Over the same period, however, Swiss short-term dollar assets have risen from \$299,900,000 to \$508,400,000. If the freezing order is to attach Axis assets approaching the figure of \$400,000,000 which has been mentioned in the United States, it must in large measure be aimed at direct German and Italian investments in American industry including patent rights such as those held by I.G. Farben Industrie.

Axis Counter-Measures

The German and Italian counter measures have followed as a matter of course, and both countries have now issued orders to freeze American assets. These ripostes are decidedly weak. The nominal figures of assets involved may be impressive, but they are funds which for many years past have in fact been effectively frozen by the exchange control in the two Axis countries and, in particular, by the Standstill Agreement with Germany. For the most part, these assets have been written down to something approaching zero. The loss on them was accepted years ago, and the final act of freezing or even sequestration would leave matters very much where they are already. That would certainly be true of the \$60 millions odd of German Standstill credits owed to U.S. banks. In every case these have been written down to nominal figures. If, however, account is taken of American investments in European countries, now under German control, it must be admitted that the scope for retaliatory action on the part of the Axis powers is considerable. This fact is a token—one of many—of the earnestness behind the United States' help to the Allied cause.

British Help for U.S. Treasury Move

An interesting illustration of growing technical collaboration between the American and British Treasuries was provided on the morrow of the move to freeze Axis assets in America. At the request of the British Treasury, the Bank of England informed banks in this country last Monday that, until further notice, no U.S. dollar balances held on behalf of persons not resident in the sterling area may be drawn on without prior permission of the Bank of England. Banks have also been required to refer to the Bank of England before carrying out any instructions regarding securities held in the U.S.A. on behalf of persons not resident in the sterling area. These instructions dovetail effectively into the Washington freezing order—which, it will be noted, does not affect British assets. They ensure that the freezing order is by-passed by instructions to that the dollar accounts emanating from London. It is highly improbable that this would in fact occur, but the instructions given to British banks make assurance doubly sure in this respect. It may be assumed that the collaboration between the Treasury authorities in the two countries has gone to the lengths of a detailed exchange of information on black lists and other items of economic warfare intelligence.

Sterling Area Dealings Restricted

A further tightening of the sterling exchange control screw occurred this week. From last Monday, all transfers of funds from the United Kingdom to other parts of the sterling area were made subject to the same degree of control

as transfers to countries outside the sterling area. The loopholes which the new measures are intended to close arise from the fact that the system of exchange control is not altogether uniform throughout the sterling area. Thus, such freedom as existed in transferring funds from one part of the sterling area to another might conceivably be the means of an ultimate leakage of sterling through the exchange control into one of the remaining "hard currencies." All transfers of sterling from resident to non-resident accounts—whether the non-resident was in the sterling area or outside it—have of course been subject to the control regulations. But the latitude given to banks in authorising transfers to sterling area countries has been rather greater than in the other cases. This will no longer be the case. In particular,

transfers of sterling from a United Kingdom resident to a sterling area country will only be allowed if the transfer is made to the account of a person resident in that country. For a transfer of sterling to a non-resident account the permission of the authorities in the sterling area concerned will be necessary. The only general exception to this rule will be in respect of transfers from non-resident sterling accounts held in the United Kingdom. The kind of operation at which this tightening of the regulations is aimed is the transfer of sterling to non-resident accounts as an indirect means of making remittances from this country to dependants evacuated to the United States and Canada. A fair-sized trickle of such remittances has been making its way through the meshes of the exchange control.

Investment

The Rate of Interest

The recovery, mentioned in *The Economist* a week ago has continued on a wider basis. To the search for yield, there have been added two new factors, namely the belief that a further Government issue is imminent, and the re-emergence of speculation on a moderate scale. By the latter, it is not intended to infer that gambling on daily movements is in full swing—such a policy is scarcely possible with all business done for cash, nor is the volume really large—but rather that there has been a good deal of buying which is based on faith instead on a reasoned assessment of the outlook. Probably this is best read as a reflection of pressure of savings and a search for means of augmenting gross incomes rather than as bred of a firm conviction that the outlook is greatly improved. As to the prospect of a Government issue it is not unreasonable to suppose that, sooner or later, the existing tap issues will be suspended and new ones substituted which reflect the improvement during the past six months in the long term rate of interest. A circumstance which must be borne in mind is the fact that, while the long term rate has fallen, there is little or no change perceptible in the rate for short dated bonds. Evidently the existing issues cannot rise above the "tap" price, but the old National War Bonds, 1945-47, continue to be quoted at 100 middle. With a closed capital market all things are possible, and no doubt the banks would accept an even less favourable alternative to Deposit Receipts than the existing bonds, while the small difference in yield would, perhaps, make little difference to other investors. Certainly, if such an expedient improved the market for the old bonds, the Treasury would have achieved a very considerable gain. Whether such an issue does in fact come, or whether, as is suggested, there is an operation to fund floating debt, the fall in the long term rate of interest will continue to effect an upward pull on all prices. It is the demand for these stocks rather than the short term rate established which, is of direct importance.

* * *

Tax-Free Dividend Decision

No surprise will be occasioned by the decision of Sir Kingsley Wood not to include tax-free dividends within the scope of his legislation restricting the full application of contracts for payments free of tax. It is rather the exact words he used—as having possibly a wider application—than the mere fact of the exclusion which are important. The object of the new legislation is to reduce inequalities of sacrifice, and it expressly excludes from its purview any contract entered into after the outbreak of war. Actually, the tax-free dividend payments concerned affect only a few preference shares—it is purely a matter of convenience whether an equity payment is made tax free or less tax—and the probability of war was largely discounted in the price of these shares long before hostilities commenced. In any case, there was always a means of escape for the holder in a sale at the market price, and it is definitely reassuring to find the Chancellor of the Exchequer reaffirming the validity of the market's contention that its estimate of worth is normally the best criterion on which to base the value of a security. It would completely undermine the basis of dealings if it were to be conceded that the Treasury—or any other department—had the right to vary terms of contract at will in cases where there exists a ready means of escape if the price appears advantageous. As to the contention of Mr Pethick Lawrence and others that tax-free contracts are

against the public interest, much can be said in its favour, but, unless one is prepared to support the principle of punishing those who obey a law which is found to be against the public interest, their comments are not germane to the discussion.

* * *

An Important Achievement

The reception accorded to the reforms proposed for the stockbroking profession of the country by the London Committee was last mentioned in *The Economist* of May 3rd. In the month to the date of their coming into force, that is June 1st, progress was slow, and the effect of certain clauses concerning country jobbing was deferred until Saturday last, in order to give the Associated Stock Exchanges time for one more meeting and for the necessary communications to the individual committees and to London. This postponement has been used to such good purpose that it is now possible to claim that agreement has been reached with the whole stockbroking profession outside the Provincial Brokers' Stock Exchange. Owing to its character and the course of events, it was difficult, if not impossible, for the representatives of the PBSE to secure anything like unanimity among their extremely scattered membership until the position of the Associated Exchanges was fully defined. Even now, the task is likely to be difficult, if only because the interests of individual members, at least in the short run, differ widely. It is, however, difficult to imagine that the more long-headed among them will, for long, fail to see that the attractions of achieving the same status, as is given by the reforms to all participants, outweigh the inconveniences arising from necessary changes in methods. With the adhesion of all the "Associated" exchanges, there can be little doubt that the aim of the reforms has been achieved. From now on, all members of recognised exchanges will have a common standard of behaviour, which it will be possible to enforce and to improve as occasion demands. This is a step for which the more enlightened members of the profession have been working for many years. It should benefit the investor not less than themselves, and is an achievement on which those responsible merit warm congratulations.

* * *

Courtaulds Compensation

Although it is now fully three months since the disposal of Courtaulds' holdings in the United States was announced, there is still no inkling as to when a settlement with the Treasury is likely to be reached. Holders of the company's ordinary capital have, however, been interested, and a little disturbed, by a lengthy statement from the board setting out their view of the factors which should be borne in mind in fixing the compensation. It is symptomatic that, although the circular gives figures which make the recent market valuation of the shares look ridiculously low—they are very close to those given in *The Economist* of March 29th—the quotation fell a few pence on the news. Leaving on one side the valuation, the statement reveals that both total profits and the amount taken into account of the parent company were larger than had commonly been supposed, and it stresses the fact that, apart from loss of revenue and goodwill, the company's position is weakened, because it will no longer have the same voice in determining world policy in the industry, or the financial strength which

resulted from having well-balanced interests in two continents. In fine, the board made out a strong case for receipts very much above the sum obtained by the Treasury from the sale, and it will be a poor augury for the future of British industry—not to mention the institution of that better order which it is hoped may emerge from the present struggle—if a firm, which was at once powerful, efficient and forthright in setting a good example, were to be sacrificed, while others, perhaps less worthy in one or more of these respects, received more favourable treatment.

Company Notes

Cable and Wireless Accounts

The report of the operating company of Cable & Wireless for 1940 shows a rise in total income from £5,730,929 to £7,494,871. As was suggested in *The Economist* of 14 June in a note on the dividend of the Holding Company, the failure of either company to raise its ordinary payment above 4 per cent is due mainly to the rise in tax liability last year. Thus, British taxation paid by the operating company in 1940 rose from £345,800 to £518,209. At the same time, maintenance expenses and taxation abroad rose from £4,120,560 to £5,119,000, but in view of the absence of any liability for beam rental, surplus earnings at £2,375,771, compare with £1,610,369 in 1939, and the carry forward is consequently raised from £437,836 to £1,613,607.

	Years to December 31.		
	1938	1939	1940
	£	£	£
Net message receipts	4,318,857	5,344,969	7,090,669
Total income	4,645,830	5,730,929	7,494,871
Maintenance fees, etc.	3,602,958	4,120,560	5,119,100
Beam rental	41,667	Nil	Nil
Earnings for dividend	1,001,205	1,610,369	2,375,771
Dividend	975,000	1,200,000	1,200,000
Dividend, per cent.	4	4	4
Carried forward	27,467	437,836	1,613,607

The whole of the surplus is necessarily used to increase the carry forward since the operating company's liability for EPT, which depends in part on the assessment of the Holding Company, is not yet decided. The striking rise in both total income and equity earnings must be attributed mainly to the great increase in business due to the introduction of cheap rates within the Empire and for those serving in the forces. The increase has much more than offset any decline in revenue from industrial and official use of the services. The balance sheet continues to display great strength. Cash and near cash assets have increased during the year, cash holdings from £1,048,000 to £1,234,000 and holdings of British Government securities from £2,990,000 to £4,922,000 at cost. Creditors, including taxation and contingencies, are nearly £1,500,000 higher at £3,494,976, while traffic and other debtors have jumped by some £870,000 to £2,223,140, both changes which contain ample evidence of the increase in business which the company has carried in the past year. The ordinary stock of the Holding Company, at 61 ex dividend, offers a yield of £6 11s. 1d. per cent.

* * *

Shipbuilding Results

As in the previous year, profits of *John Brown* for the year to March 31, 1941, are shown after tax, EPT and provision for contingencies. Thus, the rise from £566,595 to £592,264, despite the necessity of meeting a higher standard rate of tax, and EPT at little less than 100 per cent, indicates a highly successful year's trading. The depreciation provision is raised from £58,372 to £67,992, leaving a surplus for equity capital of £377,888, representing a rate of 17.5 against 16.8 per cent, tax free, as was indicated in the note on the preliminary statement in *The Economist* of June 7th. The directors are able to make a special allocation of £100,000 to contingencies and war damage reserve and at the same time to raise the carry forward by £8,651 to £211,027, a conservative policy, which has much to recommend it. The absence of a consolidated statement is to be regretted. The profits of the past three years are analysed in the following table:—

	Year to March 31,		
	1939	1940	1941
	£	£	£
Profit after Tax and E.P.T.	687,819	566,595*	592,264*
Depreciation	64,317	58,372	67,992
Fees	5,868	6,653	7,372
Debenture service	91,952	90,232	90,000
Preference dividend	49,010	49,010	49,010
Ordinary shares —			
Earned	476,672	362,327	377,888
Paid	376,931	323,084	269,237
Earned %†	22.4	16.8	17.5
Paid %†	17½	15	12½
Reserve	100,000	—	100,000‡
Carry forward	163,133	202,376	211,027

* After providing for contingencies.

† Free of tax.

‡ Contingencies and War Damage Reserve.

The decision of *Harland and Wolff*, the Belfast shipbuilders, to raise the dividend on "B" ordinary stock from 4 to 6 per cent, less tax, probably reflects a further marked recovery beyond the general experience of marine engineering concerns. After a costly transition to a war production basis, the ability to work to capacity has probably been sufficient to ensure that profits should outstrip rising costs. The dividend on "B" ordinary stock is the second declared on equity capital since the reconstruction undertaken in 1937. The most striking change in the *John Brown* balance-sheet is a jump in stocks from £88,991 to £384,854, financed by a decline in cash, other than cash in the hands of debenture trustees, from £1,862,930 to £1,477,753. Yields are in line with the normal return on heavy industrial issues. The 10s. ordinary shares of *John Brown*, at 27s. 9d., offer £4 10s. 1d., tax free. The £1 "B" ordinary stock of *Harland and Wolff* at 13s. 4½d. yields £9 4s. 7d. per cent, less tax.

* * *

Forestral Land Accounts

The rise in income from trading and dividends earned by Forestal Land in 1940 from £187,757 to £264,487 is highly encouraging. The decline in total receipts from £792,577 to £613,177 is due solely to the fact that only £320,000 against £580,000 is brought in from the depreciation account in respect of investments in the subsidiary, La Forestal Argentina S.A. Deductions from profits include a non-recurring expense of £20,809, being the cost of redemption of the ten-year registered notes. The allocation to tax reserve, however, is down substantially from £80,000 to £15,543. Thus, equity earnings at £385,388, representing a rate of 19.8 against 21.5 per cent, provide a comfortable margin for the total ordinary distribution which is maintained at 9 per cent. After a slightly higher allocation to reserves, the carry-forward is reduced from £179,330 to £139,475. The setback to trading results of the Argentine interests, which followed inevitably from the almost complete severance of the South American continent from overseas markets last year, has been partially compensated by the excellent results achieved by other subsidiaries, in particular Natal Tanning and Calder and Mersey Extract Companies. Stockholders must, however, shortly face a position when it will no longer be possible to write back into profits the depreciation account in respect of La Forestal Argentina. Indeed, this fund now stands in the balance sheet of the holding company at no more than £66,302. Attention was drawn to this development in the Chairman's speech, delivered by Lord Selborne and circulated with the report. The consolidated account shows that stock, other than livestock, has increased from £2,985,840 to £3,194,957. Total reserves, for the group as a whole, stand at £3,760,731 against £3,232,741 in 1939, while fixed assets have moderately declined from £5,080,601 to £4,930,024. It will clearly become increasingly difficult to maintain the current level of income in war conditions, but



substantial surplus earnings stand between stockholders and the necessity of reducing the ordinary dividend. The £1 ordinary shares, at 21s. 6d. ex dividend, offer a yield of £8 7s. 5d. per cent.

"Shell"-Burmah Payments

The announcement that the second interim payment distributed by *Burmah Oil* for 1940 will not be supplemented by the 6 per cent bonus paid in the two previous years leaves the total payment on ordinary stock at 15 against 21 per cent. In view of the political and military developments in 1940 and the spring of the present year, it is hardly surprising that the directors have decided upon a reduction, and, in the circumstances, the cut appears moderate. The 1939 distribution, which required a gross sum of £2,884,668, was covered by an equity surplus of £3,133,915. Total income, however, had declined from £5,178,433 to £4,684,361, and there can be little doubt that it will have suffered a further fall in 1940. The payment of a total ordinary distribution of 5 per cent tax free by "*Shell*" *Transport* is a repetition of the 1939 payment, which compared with 20 per cent tax free paid on the increased ordinary capital in the two preceding years. Since last year's dividend involves a rise in the actual rate less tax, despite further prejudice during the past year, both to the income and to the investment position of the "*Shell*" interests, stockholders have every reason to feel pleased with the announcement. The 1939 dividend was covered by a tax-free rate of earnings of 5.8 per cent, the whole of the surplus being used to raise the carry-forward to £437,231. There is no doubt that the extension of hostilities last year implied, for the present, further serious losses for the "*Shell*" group. While *Burmah Oil* is not directly concerned, it must suffer from its large interest in that company and, to some extent, from its larger holdings in *Anglo-Iranian*. It is doubtful whether present dividend levels can be maintained throughout the current crisis, but the market has retained belief in the companies' prospects. The £1 ordinary stock of "*Shell*" *Transport*, at 43s. 4½d., offers a yield of £2 5s. per cent, tax free. The *Burmah Oil* £1 ordinary stock, now standing at 50s., yields £6, less tax.

Odhams' Record Earnings

The full accounts of Odhams Press for 1940 confirm the impression derived from the review of various newspaper reports in *The Economist* of June 14th that, despite paper rationing, the past year has been distinctly favourable for the Press. Odhams earned a new record income of £606,229 against £428,137, and the ordinary payment is

raised from 6 to 7½ per cent. Tax liability has, of course, risen substantially from £36,672 to £155,094, and, since the company has also initiated a staff pension fund with a first allocation of £75,000, the cover for the ordinary distribution, on a possibly over-strict analysis, is reduced from 21.3 to 17.1 per cent. After placing £40,000 to general reserve, thus raising the total of the fund to £600,000, the carry forward is increased to £86,862. Last year's success is no doubt mainly due to an ability approximately to maintain sales, while the smaller ration of paper brought about a fall in production costs. It is encouraging that the balance-sheet figure of stock and work in progress is up from £136,598 to £649,915, indicating that there is no immediate shortage of newsprint and no disastrous loss through enemy action. Trade creditors are some £124,000 higher at £654,767, while debtors show a decline of some £4,000 to £586,348. The outlook for the current year appears to be promising. The 4s. shares, at 2s. 6d. ex dividend, yield £12 per cent.

Kaffir Dividends

The numerous small reductions in the interim payments of the South African gold-mining companies have left the kaffir market relatively unmoved. To a considerable extent, reductions had been already discounted. It was clear that the 5 per cent rise in the rate of Union taxation on gold mines, introduced in the last South African Budget, came too late to permit an adaptation in the grade of ore mined calculated to offset the new charge against profits. In fact, the reduction in a number of cases, in particular in that of Crown Mines, has been rather less than investors had come to expect. In general, the reductions have been relieved by a number of important rises among mines which have only recently entered the list of dividend payers. Here increased output has more than outweighed the cost of the new tax liability, though, no doubt, the rises are less substantial than they would otherwise have been. Details of the latest interim payments are provided on page 838 of this issue. In the *Anglo-American* group, the sole rise is that of East Daggafontein from 9d. a year ago to 1s. 3d. In the *Gold Fields* group, the increase in the Venterspost payment from 3d. last June to 9d. is due largely to the sinking of the new shaft. Marievale, in the *Union Corporation* group, which paid a maiden dividend of 3d. last December, has now raised its distribution to 6d. In the *Johannes* group, there are no rises, but two companies, Langlaagte and Randfontein Estates, repeated dividends of 6d. and 2s. 3d. respectively. The cuts in the interim payments do not appear to carry any necessary indication of further reductions next December.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

In general, a cheerful sentiment prevailed in all markets this week. Before the week-end, the gilt-edged market closed very firm on rumours of a possible Government issue, and has this week, with investors cheered by news of the United States freezing of German and Italian assets, continued to attract more business. Interest in foreign bonds was rather slight, but, among home rails, last week's improved tone was sustained. Steady buying of heavy industrials, following the issue of various favourable reports, was the chief feature of the industrial market. The kaffir market presented a firm front to the news of general reductions in interim dividends, while the commodity share markets were steady.

In the *gilt-edged* market demand continued to be centred on undated stocks. The strength of the buying movement was due mainly to dealers' estimates of the possibility of the issue of a new loan. Two and a half per cent Consols were strongly in demand, rising ½ before the week-end and ¼ on the first two days of the current week. The majority of stocks enjoyed daily gains in the order of ¼, 4 per cent Consols and Funding and 3½ per cent War Loan leading the market. Local Loans also attracted many buyers and the rumour of a further requisition of Indian stocks raised the price of the 2½ and 3 per cent issues by ½ point on

Tuesday. A further widespread advance in midweek raised old Consols by ¼ to 81½, a new high level since 1937.

The *foreign bond* market enjoyed less business than of late, but prices on the whole were firm. A welcome recovery took place in Egyptian bonds, Egyptian Unified gaining ½ point before the week-end, followed by 1 point on Tuesday on news of the initial success of the British offensive round Sollum. Czech and Austrian bonds also improved. Recent progress in Japanese issues was arrested, both the 4 per cent loan of 1899 and the 5 per cent loan of 1907 losing ½ point on Tuesday.

Ordinary stocks received most attention in the *home rail* market, where last week's improvement was steadily continued. At the beginning of the week, LMS ordinary and Southern deferred put on ¼, while the next day the same issues gained ¼ and Great Western ordinary ½. Among marginal issues, "Berwick" 5 per cent preference, 1955, improved 2 points on Monday, but few other price changes were recorded. On Wednesday, the demand for ordinary stocks reached the highest level for some weeks, Southern deferred rising by 1½.

After a firm close to the previous week, Canadian Pacific ordinary, in the foreign rail market, lost ¼ on each of the first two days of the current week, but the preference issue continued to improve.

The most striking feature of the *industrial* market was the strength of heavy industrial shares, following the issue of various encouraging reports. Harland and Wolff gained 1s. 3d. on Monday on the increase in dividend. John Brown attracted a steady demand and gains of a few pence were realised by such leading issues as Dorman Long, Baldwins, Cammell Laird, Vickers, and Stewarts and Lloyds deferred. The statement on the Viscose deal caused some increase in business in Courtaulds, but after a small initial loss, the price remained firm. Other textile issues showed little change, with the exception of Lancashire Cotton, which realised a number of fractional gains. The improvement in shipping shares continued, led by a strong demand for Union Castle. Furness Withy and Court Line, on the publication of the accounts, shared in the upward movement. Breweries, in general, remained quietly firm, but Mitchells and Butlers put on 2s. at the beginning of the week. Price changes among the tobacco leaders were trendless and irregular. Among miscellaneous industrials, Boots were sold on the bonus decision. Murex and Dunlop continued to attract demand.

At the close of last week the effect of dividend reductions on the *kaffir* market was shown in a large number of irregular price changes. The undertone, however, remained firm and, on Monday, dealers responded strongly to news of the freezing

(Continued on page 835)

Industry and Trade

Motor Car Licences

Last week the Ministry of War Transport issued an appeal to motorists to make early application for the renewal of motor vehicle licences which expire at the end of this month. The appeal has been made in order to avoid congestion in local taxation offices caused by late applications. No suggestion is made that motorists who do not need their cars for essential purposes should refrain from taking out a new licence. There may be revenue or other reasons for this omission, but the end of the quarter would have been a good time for substituting a needs test for the present system of petrol distribution, which is wasteful in that a licence automatically entitles the motorist to a basic ration. Although publication of the figures relating to the number of private car licences current has been suspended, they must still be fairly large; in October, 1940, the number of cars licensed totalled 1,400,000. In view of the urgent need for shipping space, the basic allowance, issued irrespective of need, has become a plain anomaly.

The Coal Problem

A body of expert opinion in the coal mining industry does not regard very hopefully the prospects of increased production under the new arrangements made with the miners. These have considerably improved labour conditions in regard both to wages and to the continuity and security of employment. The guaranteed week under the Essential Work Order removes the two chief war-period causes of short-time working, namely, want of trade in the exporting coalfields and transport difficulties in practically all districts. For a full working week the attendance bonus of 1s. per shift increases the advance in miners' wage since the outbreak of the war to 3s. 4d. per shift—with a probable further increase of between 4d. and 6d. per shift from the beginning of next month—in addition to such gains as may have accrued to individual districts from the normal operation of the machinery providing for the adjustment of wage rates above the minimum fluctuations in the net proceeds of the industry. These concessions have been made primarily in order to enlist the active co-operation of the miners in the effort of the Ministry of Mines to add another 20 million tons "during the next twenty weeks" to the 14 million tons which are already in reserve to meet the contingencies of the next winter. It is hoped that in view of the gravity of the national emergency, the increase in wages will not bring a fall in output per head; and it is thought by some members of the industry that the co-operation of the miners would have been more assured if, as under the terms of the settlement of the national coal strike of the autumn of 1920, the new wage increases had been contingent upon, and proportionate to, an increase in production. The main cause, however, of the prevailing scepticism concerning the capacity of the industry to achieve the weekly target figure of between 4½ and 5 million tons is its reduced man-power. In May, 1940, when the number employed in some of the coalfields was actually greater than at the outbreak of the war, and when the export demand was relatively more intense than that for inland consumption, output fell a little short of 5 million tons per week. Since then between 70,000 and 80,000 underground and surface workers have joined the Forces or migrated to other employments, and the persistent efforts made by the Secretary for Mines to secure the return of at least 50,000 of them have so far met with little success. There appears to be little scope for an immediate expansion in output either by reorganisation or technical re-equipment; the main hopes of the Coal Production Council lie in the activities of the revived pit and district production committees. It is feared, however, that nothing that these bodies may be able to achieve will diminish the urgency of the need for a greatly increased supply of labour, and that the Government and the industry may now have to consider seriously the expediency of temporarily increasing the hours of work and of rationing consumers.

Nazi Europe's Oil

In its May bulletin, Petroleum Press Service has published estimates of the annual oil requirements and supplies

of Nazi Europe in the light of the experience gained since the outbreak of war. Europe's annual pre-war consumption is given in the following table:—

EUROPE'S ANNUAL OIL CONSUMPTION BEFORE THE WAR
(In thousands of metric tons)

	Motor Fuels	Kerosene (a)	Gas & Fuel Oil (b)	Lubricating Oils	Total
1. Germany (c) and Italy.....	3,700	530	3,500	720	8,250
2. Roumania, Hungary, Bulgaria.....	255	280	1,470	55	2,060
3. Occupied territories.....	4,460	770	3,330	500	9,060
4. Sweden, Switzerland, Finland.....	890	205	730	105	1,930
Total.....	9,305	1,585	9,030	1,380	21,300

(a) Including white spirit. (b) Including small quantities used for ships' bunkers. (c) Including Austria.

In the view of Petroleum Press Service consumption (apart from military requirements) could probably be reduced to about 8,700,000 metric tons per annum without crippling the economic life of the countries concerned:—

ESTIMATED MINIMUM NEEDS PER ANNUM (a)
(In thousands of metric tons)

Motor fuels ...	2,800	Gas and fuel oils ...	4,000
Kerosene	800	Lubricating oils ...	1,100
		Total.....	8,700

(a) Excluding military requirements

The potential annual supplies at the Nazis' disposal, including their own production of natural petroleum, coal-oil and substitute fuels, the output of Roumania and anything they may hope to secure from Russia in present conditions, is estimated at 11-12,000,000 metric tons per annum, leaving a substantial margin for military consumption. On the basis of these global estimates Nazi Europe's oil supply position therefore appears to be far from desperate. The calculation, however, does not allow for past or future damage by the RAF to coal-oil plants, refineries and transport facilities. Nor does it follow, as is pointed out in the analysis, that it will be possible to produce the various products in the proportions in which they are required. The supply of lubricating oils, in particular, appears to be causing difficulties.

Labour for Munitions

While the unemployment figures for May 12th show a decrease, the drop is not as large as it was in the previous month. The total number of registered unemployed in Great Britain on May 12th was 368,988, a fall of 28,460 since April 12th, compared with the previous drop from March to April of 47,407. This is the smallest decrease in unemployment recorded this year, but as the total declines, so the decreases become smaller. It is possible, however, that unemployment might rise for short periods, owing to the closing down of firms for lack of business or the concentration of industry. This may be the reason for the fact that there were 1,203 more people unemployed in the North Western Division on May 12th than a month before. The hard core of what might be termed "unavoidable" unemployment—unemployment between jobs, or through bad weather—has now probably been reached, though this might still be reduced by shortening the idle time between jobs. For example, only 4,021 women and girls out of a total of 148,328 unemployed on May 12th were classified as unsuitable for normal full-time employment. Yet an analysis of the duration of unemployment among women on March 24th showed that 40-43 per cent of them had been unemployed from over one month to six months.

The registration of women is showing that very few are completely unoccupied, and if labour is to be found in this class of the population, the Minister of Labour will have to be somewhat harsher than he appears to be in deciding which women shall work in war industries or go into the Services. Many examples might be quoted of exemptions which have been promised, but which should be withdrawn when necessary. Domestic servants, who are at the moment exempt, can in many cases be spared from the households

they serve. To leave young married women in their homes when their husbands are in the Forces is a sentimental gesture which the country will soon be, and possibly is now, ill able to afford. However, as has been so frequently said, labour which is wanted in the munitions factories must be provided by workers released from unessential works and by the paring down of staffs where this can be done. When the concentration of industry has reached the stage of wholesale closing down of firms, a large labour force will be available. The Committee on Retail Trade, too, may possibly recommend measures leading to the release of part of the workers employed in the distributive trades. Preparations must be made for the reception of these workers as they become available, so that not a day's labour is lost.

Canned Meat Control

Under an Order of the Ministry of Food, the manufacture of meat products in airtight tins and glasses will be limited after July 7th to meat and fish pastes, meat and vegetable soups, meat roll or galantine, and ready or preserved meals, packed in prescribed sizes of containers. After that date, no other canned meat product may be sold; wholesale, and retail sales of other products must cease after August 4th. Maximum prices, as follows, become operative on the same dates:—

CONTROLLED PRICES OF CANNED MEAT AND FISH				
	Container Capacity (net weight)	Maximum wholesale price per dozen	Maximum retail price per jar or tin	
		s. d.	s. d.	
Meat or fish pastes in glass jars ...	2½ oz. 2 1½	6 3 5 11	8 6½ 5	
Meat or fish pastes in tins ...	3 1½ 1	2 10½ 1 2	3½ 2½ 1½	
Soups in tins ...	10 16	5 6 7 0	6½ 8½	
Meat Roll or Galantine in tins ...	10 16 2½ lbs. 3	6 6 9 6 20 3 27 0	7½ 11 1 11½ 2 7	
Ready or prepared Meals in tins ...	16 oz.	10 0	11½	

Standards of quality are laid down. Meat and fish pastes must contain between 40 and 60 per cent of meat or fish, and the meat content of meat roll or galantine and ready or prepared meals must be not less than 30 per cent and not more than 45 per cent. Meat extracts are not affected by the Order. The restriction of varieties is a measure of economy which should ensure the most being made of such meat as is available. Price control was needed to curb the activities of speculators, and if Miss Sybil Campbell and her corps of Scotland Yard men are able to prevent the development of a black market, there seems no reason, in this case, why disappearance should follow control.

The Fertiliser Programme

The policy of stabilising the prices of agricultural fertilisers is to be continued for the year ending July 1, 1942. As this involves an increasing subsidy, the special basic slag subsidy, instituted in 1937 under the Land Fertility Scheme, is to be discontinued. This will economise transport, facilitate a reorganisation of distributive arrangements, and make possible some reduction in the price of superphosphate. In the hope of inducing producers of lime to extend their plant, the subsidy on lime is to be continued till the end of July, 1944. Its administration is to be undertaken directly by the Ministry of Agriculture. The distribution of superphosphate, basic slag and potash is to be controlled, in order to ensure the most efficient utilisation of supplies. Supplies are to be held available to County War Agricultural Executive Committees, for use by farmers on their recommendation. The use of potash will be restricted to certain specified crops, such as potatoes and flax. As with most such programmes, its merit will depend largely on the intelligence with which it is carried out. It is not stated whether

there will be any restriction on the use of fertilisers in small quantities by amateur gardeners, or in the supply to the manufacturers of proprietary fertilisers.

Petroleum Control in the United States

Mr. Harold L. Ickes, whose appointment as Petroleum Co-ordinator was discussed on page 774 of *The Economist* of June 7th, has this week taken steps to relieve the "impending shortage of petroleum in the East Coast Area." Following a complaint that a firm engaged on defence work in the district had been unable to obtain oil essential for that work, he has stopped the shipment of a cargo of lubricating oil from Philadelphia to Japan; and he has sent telegrams to the 32 principal East Coast shippers proposing a complete embargo on export sales without prior reference to his office. While it is improbable that East Coast shipments (of which high-grade Pennsylvanian lubricants form a high proportion) will be stopped altogether, Mr. Ickes is clearly anxious that local requirements for defence work shall first be fully satisfied. But why have these measures been necessary? It must be reiterated that there can be no question of a general shortage of oil in the United States—which has a large shut-in production and a substantial export surplus. A tight situation has, however, been developing for some time in the industrialised Eastern States, which are very large oil consumers. The reason is that this area is mainly supplied from Gulf ports by coastwise tankers, and that there has been a growing shortage of tanker tonnage. Fast vessels have been requisitioned by the U. S. Government and a number have been transferred to Great Britain at a time when consumption of oil in the East has been showing a rapid increase. As the record number of tankers now under construction in America comes into use—25 new vessels are expected to be in service this year—the transport position will be eased. It is not unlikely, moreover, that pipelines will shortly be constructed, at the instigation of the Petroleum Co-ordinator, to provide an alternative means of supplying the Eastern States. In the meantime, some restriction of civilian consumption may prove necessary in this area if work of national importance is not to be impeded by a local shortage of essential oil products.

Industrialisation in Latin America

The growing industrialisation of the larger republics of South America will probably be stimulated by the diversion of United States manufacturing capacity to war materials. But such a tendency will, in its turn, be limited by the sources of fuel and power which are available. South America is notoriously short of coal; what coal exists is of poor quality, while supplies from Great Britain are restricted. Argentina's oil does not meet her own demands; the oil-producing countries of the Caribbean are separated by great distances from the ABC States, and as the available tanker tonnage is presumably mobilised for the North Atlantic routes, this obstacle is difficult to overcome. Hydro-electric development has long been recognised as offering great possibilities in Brazil, but it needs heavy and expensive plant, which is not easy to come by just now. Nevertheless, the industrial progress already achieved by certain Republics, notably Brazil, cannot be ignored. Between 1914 and 1935 Argentina increased her industrial production by 79 per cent, but Brazil by 502 per cent. The planned economy of Dr. Vargas began to bear fruit in the industrial field in 1934, and no other country in the world, except the USSR, has proportionately so greatly increased its industrial production. There are to-day nearly a million and a quarter registered workers in Brazilian industries, about 30 per cent being employed in the production of textiles. Rayon is now manufactured; the amount has steadily increased in recent years, and is now at the rate of about 7,000 tons per annum. Sheet iron and steel are produced in Minas Geraes, although the purely Brazilian development of mineral resources has been somewhat retarded for lack of capital. Tariff protection has been an essential weapon in the development of these nascent industries, of which many other examples could be given. When, late in 1940, the country celebrated the tenth anniversary of the New Régime, President Vargas was able to record these developments, at the same time emphasising that they had been facilitated by abundant labour, accompanied by adequate social legislation, and attained through the use of national resources alone.

For Commodity and Industry News see page 840.

COMPANY MEETINGS

EAGLE STAR INSURANCE COMPANY, LIMITED

A SATISFACTORY YEAR

Extracts from statement by the chairman, Sir Edward M. Mountain, Bt., to be presented at the annual general meeting of the company to be held on the 26th instant.

Life Department: New life assurances were completed during 1940 for a net amount of £7,643,793—a substantial increase over the figures for the preceding year. The claims for war losses were slight and other mortality experience was below expectation. The already moderate expenses show a further decrease. Practically the whole of the life business is transacted in Great Britain.

Fire Department: The net premium income was £833,519 and the account showed a profit of £46,375.

Accident and General Insurance Accounts: The premium income is reduced owing to the temporary closing down of certain special contracts during the war and loss of income in enemy-occupied countries. Total premiums were £788,710 (including Employers' Liability), and the account yielded a profit of £98,162.

Motor Department: The premiums for the year amounted to £1,075,757, and an amount of £32,919 was transferred to profit and loss account.

Marine Department: With £481,794 brought forward and net premiums of £691,882, an amount of £50,000 was transferred to profit and loss account; £400,000 of these premiums was for war risks. The marine fund now stands at £638,779.

Profit and Loss Account: Once again, interest earnings plus trustee and other fees more than cover the total dividend payments. The balance brought forward from last year was £493,365, while interest earnings, trustee and other fees and departmental profits amounted to £521,986, giving a total on the credit side of £1,015,351. After making full provision for dividends and other expenses, including such extraneous items as War Damage Insurance, ARP, etc., the balance carried forward is increased to £523,273.

fears of the consequences of the sinking of the *Robin Moor*. Moreover, it is commonly expected that industry will be put on an increasingly war footing to the detriment of the investor. There has been no general setback in prices, but business was dull throughout the week.

New York Prices

Close Close		Close Close	
June 1941		June 1941	
1. Railroads.	10 17	Chrysler	58½ 58½
Balt. & Ohio.	31 34	Curt. Wr. "A"	27½ 27½
Gt. Nthn. Pf.	26½ 26	Eastman KdK	128½ 128½
Illinois Cent.	7½ 7½	Gen. Elec.	31½ 32
N.Y. Cent.	12½ 12½	Gen. Motors	39½ 38½
Northern Pac.	29½ 29½	Inland Steel	71½ 73½
Pennsylvania	28½ 28½	Int. Harvest.	52½ 51½
Southern	12½ 12½	Int. Nickel	20½ 20½
2. Utilities, etc.	100½ 157½	Liggett Myers	82½ 84½
Amer. Tel.	160½ 157½	Nat. Dairy	13½ 13½
Amer. Wks.	4½ 4½	Nat. Distillers	19½ 19½
Pac. Light.	33½ 33½	Nat. Steel	62½ 62½
Pub. Sv. N.J.	21½ 21½	Proct. Gamble	62½ 64½
Sth. Cal. Ed.	23½ 23½	Sears Roebuck	70½ 72
United Gas	7½ 7½	Shell Union	13½ 13½
3. Commercial and Industrial.		Socony Vac.	9½ 9½
Amer. Metal.	17½ 17½	Std. Oil N.J.	38½ 39½
Am. Roll. Ml.	14½ 14½	20th Cen. Fox	54½ 54½
Am. Smelting	40½ 41½	U.S. Steel	50½ 50½
Anaconda	27½ 27½	West. Hose. El.	95½ 96½
Briggs	19½ 19½	Woolworth	27½ 28½
Celanese of A.	22½ 22½	Yngstn. Sheet	34½ 35

STANDARD STATISTICS INDICES (1926 = 100)

WEEKLY AVERAGES		1941		May 1941		June 1941	
		Low Apr. 30	High Jan. 15	Low Apr. 30	High Jan. 15	Low Apr. 30	High Jan. 15
347 Industrials	83.6	80.0	84.9	85.6	88.0	85.6	88.0
32 Rails	82.4	82.0	82.2	82.6	82.8	82.6	82.8
40 Utilities	67.0	78.7	67.0	69.3	70.7	69.3	70.7
419 Stocks	71.9	68.2	72.5	73.3	75.6	73.3	75.6
Av. yield*	6.80%	6.13%	6.80%	6.77%	6.50%	6.77%	6.50%
	High (c)	Low (d)	High (e)	Low (f)	High (g)	Low (h)	High (i)

* 50 Common Stocks. (a) Jan. 22. (b) Jan. 8. (c) Feb. 11. (d) Feb. 18. (e) May 28.

LISBON ELECTRIC TRAMWAYS, LIMITED

MR. A. N. RYE'S STATEMENT

The forty-third ordinary general meeting of Lisbon Electric Tramways, Limited, will be held at London Wall Buildings, London, E.C., on the 25th instant.

The following is a summary of the statement by the chairman, Mr. A. N. Rye, which has been circulated with the report and accounts.

The operation of the tramways during the past year again constitutes a record in the number of passengers carried, the number being 142,052,980, against 134,238,698, an increase of 7,814,282. This increase was largely due to a temporary increase of the population from the effects of the war in other parts of Europe and to the Centenary celebrations. The revenue from all sources shows an increase of £109,245 13s. 2d., but this has been more than counterbalanced by an increase in the expenditure of £111,923 3s. 4d.; the profit as shown in the accounts at £159,010 19s. 7d. is £2,677 10s. 2d. less. The increase in the expenditure is caused by the much higher cost of coal and materials of all kinds, and also by the greater mileage run to carry the abnormal traffic.

The board now recommends a final dividend of 4 per cent. net on the ordinary share capital in respect of the year 1940, which, with the interim dividend already paid, will again make 6½ per cent. net for the year. This dividend will absorb £38,041 11s. 2d., leaving a balance of £32,387 13s. 6d. to be carried forward.

Last year I called your attention to the rapidly rising costs due to the war and warned you that we must expect heavy additional expenditure in 1940. That forecast has proved to be correct, but we have been fortunate in obtaining a large increase in traffic, with the result that the appropriation to reserve and the dividends have been maintained at the level of 1939, with only a small decrease of £317 in the carry-forward.

The exceptional traffic of 1940 is not likely to be repeated in 1941, and there is no sign of a halt in the rise in prices of the materials we require; it is therefore unlikely that 1941 will be as good a year for us as 1940.

DAILY AVERAGE 50 COMMON STOCKS

June 5	June 6	June 7	June 9	June 10	June 11
93.2	93.2	94.1	95.1	96.8	96.8
1941 High: 105.80, January 10. Low: 90.70, April 30.					
Total share dealings: June 12, 560,000; June 13, 440,000; June 14, 190,000; June 16, 340,000; June 17, 400,000; June 18, 580,000.					
* Two-hour session.					

Capital Issues

Week ending June 21, 1941	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. (a)	5,002,123	5,002,123	5,002,123
3% Defence Bonds (a)	3,422,940	3,422,940	3,422,940
24% Nat. War Bds. (a)	7,351,992	7,351,992	7,351,992
3% Savings Bonds (a)	11,079,639	11,079,639	11,079,639
† Week to June 10, 1941. Total sales, Nov. 22.			
1939, to June 10, 1941, £308,430,021. (a) Total sales to June 10, 1941, £298,804,040. (b) Total sales to June 10, 1941, £195,207,227. (c) Total sales to June 10, 1941, £299,463,673.			
Year	Including Conversions	Excluding Conversions	
1941 (New Basis)	758,096,882	708,502,300	
1940 (New Basis)	802,304,682	449,349,549	
1941 (Old Basis)	757,233,064	708,699,082	
1940 (Old Basis)	827,548,765	434,793,632	

Destination (Conversions Excluded)

Year	U.K.	Brit. Emp. ex U.K.	Foreign Countries
41 (New Basis)	706,939,901	2,622,339	Nil
40 (New Basis)	448,586,537	763,012	Nil
41 (Old Basis)	706,199,082	2,500,000	Nil
40 (Old Basis)	434,651,176	142,456	Nil

Nature of Borrowing (Conv. Excl.)

Year	Deb.	Prof.	Ord.
41 (New Basis)	706,591,755	166,960	2,803,515
40 (New Basis)	434,710,946	1,170,255	13,468,348
41 (Old Basis)	706,199,082	Nil	2,500,000
40 (Old Basis)	433,779,500	177,500	886,632

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

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended June 14, 1941, total ordinary revenue was £19,345,000, against ordinary expenditure of £83,946,000, and issues to sinking funds of £130,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £633,553,000 against £407,178,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	April 1 to June 15 1940	April 1 to June 15 1941	Week ended June 14 1941	Week ended June 14 1940
ORDINARY REVENUE				
Income Tax	20,980	63,234	55	2,206
Sur-tax	6,180	6,825	270	260
Estate, etc., Duties	18,350	19,835	2,060	1,260
Stamps	2,550	1,740	...	...
N.D.C.	3,700	3,269	350	345
E.P.T.	3,590	32,352	1,080	2,656
Other Inland Revenue	90	115	...	20
Total Inland Revenue	55,440	127,420	3,815	6,747
Customs	58,801	66,799	4,845	5,999
Excise	26,306	40,100	1,426	1,600
Total Customs and Excise	85,107	106,899	6,271	7,599
Motor Duties	5,428	4,808	126	102
P.O. (Net Receipt)	5,900	4,150	550	350
Crown Lands	240	230	...	...
Receipts from Sundry Loans	358	807	...	96
Miscellaneous Receipts	4,114	10,708	1	4,451
Total Ord. Revenue	150,587	255,112	10,763	19,345
SELF-BALANCING				
Post Office and Broadcasting	13,850	16,950	900	1,200
Total	170,437	272,062	11,663	20,545

Expenditure	April 1 to June 15 1940	April 1 to June 15 1941	Week ended June 14 1941	Week ended June 14 1940
ORDINARY EXPENDITURE				
Int. & Man. of National Debt	76,456	82,740	3,371	3,446
Payments to N. Ireland	1,295	1,228	...	...
Other Cons. Fund Serv.	376	360	...	...
Total	78,127	84,328	3,371	3,446
Supply Services	484,309	803,091	59,000	80,500
Total Ord. Expenditure	562,436	887,419	62,371	83,946
SELF-BALANCING				
Post Office and Broadcasting	13,850	16,950	900	1,200
Total	576,286	904,369	63,271	85,146

After decreasing Exchequer balances by £178,980 to £2,471,475, the other operations for the week (no longer shown separately) raised the gross National Debt by £64,777,229 to about £12,043 millions.

NET ISSUES

(£ thousands)	
P.O. and Telegraph	200
Overseas Trade Guarantees	42
	242

NET RECEIPTS

(£ thousands)	
Land Settlement	17

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1941, to June 14, 1941, are:—

(£ thousands)		
Ordinary Exp.	887,419	Ord. Revenue 255,112
Misc. issues (net)	2,879	Gross. borr. 633,277
		Less—
		Sinking fids. 1,246
		Net borrowing 635,031
		Dec. in balances 155
	890,298	
		890,298

FLOATING DEBT

(£ millions)						
Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1940						
June 15 1941	740.0	842.4	53.9	...	...	1636.3
Mar. 8	845.0			Not available		
" 15	845.0			" "		
" 22	845.0			" "		
" 31	845.0	1.6	172.3	...	429.5	2813.4
April 5	845.0			Not available		
" 12	850.0			" "		
" 19	855.0			" "		
" 26	865.0	1370.4	163.5	8.0	502.5	2900.4
May 3	875.0			Not available		
" 10	885.0			" "		
" 17	895.0			" "		
" 24	905.0			" "		
" 31	905.0	1410.4	136.0	...	498.5	2949.9
June 7	915.0			Not available		
" 14	925.0			" "		

TREASURY BILLS

TENDER DATES (£ millions)						
Date of Tender	Amount			Average Rate Allotted		Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted			
1940				s.	d.	
June 14 1941	65.0	102.0	65.0	5	5.41	59
Feb. 25	65.0	160.5	65.0	3	43	15
Mar. 7	65.0	151.2	65.0	20	1.17	42
" 14	65.0	153.8	65.0	19	11.79	24
" 21	65.0	131.6	65.0	20	2.95	17
" 28	65.0	148.3	65.0	20	2.46	28
April 4	70.0	164.7	70.0	20	2.41	26
" 11	70.0	156.6	70.0	20	2.42	30
" 18	75.0	161.8	75.0	20	2.63	30
" 25	75.0	168.9	75.0	20	2.80	22
May 2	75.0	170.4	75.0	20	3.16	11
" 9	75.0	160.5	75.0	20	0.17	40
" 16	75.0	154.7	75.0	20	0.18	38
" 23	75.0	141.8	65.0	20	0.59	44
" 30	75.0	145.1	75.0	20	1.06	47
June 6	75.0	156.1	75.0	19	0.82	26
" 13	75.0	166.5	75.0	19	1.28	38

On June 13th applications at £99 14s. 11d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 28 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. 0d. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury bills are being offered on June 20th. For the week ending June 21st the banks will be asked for Treasury deposits to a maximum amount of £40 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

1925 SUBSCRIPTIONS					
(£ thousands)					
Week ended	N.S.C.	3% Def. Bonds	2½% Bonds	New 2½%	3% Sav. Bonds
May 6	5,204	4,375	5	7,822	20,279
" 13	5,370	4,497	Nil	6,669	6,672
" 20	7,375	5,631	Nil	45,522	17,852
" 27	7,698	8,001	Nil	47,191	19,864
June 3	5,013	5,587	Nil	6,050	5,969
" 10	5,002	3,423	Nil	7,352	11,080
" 17	...	...	Nil	9,812	7,867
TOTAL	50,062	45,504	5	127,318	109,583

to date 308,430* 298,804* 444,440* 309,276* 203,165*
* 81 weeks. † 52 weeks. ‡ 24 weeks.

Interest free loans received by the Treasury up to June 17th amounted to a total value of £34,338,615. Up to May 31st, principal of Savings Certificates to the amount of £36,922,000 had been repaid.

BANK OF ENGLAND RETURNS

JUNE 18, 1941

(£ thousands)		
Notes Issued:		£
In Circulation	637,531,001	11,015,100
In Bank. Dep.	3,259,062	666,580,469
partment	42,710,574	2,391,773
		12,688
Govt. Debt		
Other Govt.		
Securities		
Other Secs.		
Silver Coin		
Amt. of Fid. Issue	680,000,000	
Gold Coin & Bullion (at 168s. per oz. fine)		241,575
	680,241,575	680,241,575

BANKING DEPARTMENT

(£ thousands)		
Props. Capital	14,553,000	Govt. Secs. 132,742,893
Rest.	3,259,062	Other Secs. 5,138,527
Public Depts.	9,810,719	Discounts & Advances 16,303,764
Other Depts.		24,430,291
Bankers	122,414,802	Securities 42,710,574
Other Accts.	51,671,400	Notes 174,086,202
		Gold & Silver 1,819,280
		Coin 201,708,983
		201,708,983

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

THE WEEK'S CHANGES

(£ thousands)		
Both Departments	Amt. June 18 1941	Compared with Last Week Last Year
COMBINED LIABILITIES		
Note circulation	637,531	+ 363 + 48,480
Deposits: Public	9,811	+ 2,771 + 25,486
Bankers	122,415	+ 253 + 18,688
Others	51,671	+ 370 + 4,798
Total outside liabilities	821,428	+ 3,251 + 46,500
Capital and rest.	17,812	+ 18 + 36
COMBINED ASSETS		
Govt. debt & securities	810,338	+ 3,750 + 53,489
Discounts and advances	5,133	+ 35 + 1,597
Other securities	21,096	+ 616 + 8,473
Silver coin in issue dept.	13	+ 7 + 497
Coin and gold bullion	2,061	+ 94 + 349
RESERVES		
Res. of notes and coin in banking department	44,530	+ 209 + 1,869
" Proportion" (reserve to outside liabilities in banking dept.)	24.2%	+ 0.5% + 1.3%

COMPARATIVE ANALYSIS

(£ millions)		
	1940	1941
	June 19	June 4
Issue Dept.		
Notes in circulation	589.1	635.4
Notes in banking department	41.2	44.8
Government debt and securities*	626.3	677.5
Other securities*	3.2	2.5
Silver coin	0.5	0.0
Gold, valued at s. per fine oz.	0.2	0.2
168.00	168.00	168.00
Deposits:		
Public	35.3	10.9
Bankers	103.7	121.9
Others	46.9	52.1
Total	185.9	184.9
Banking Dept. Secs.:		
Government	130.6	130.3
Discounts, etc.	3.5	6.4
Other	27.0	19.3
Total	161.1	156.0
Banking depart. res.	42.7	46.5
" Proportion"	22.9	25.1

* Government debt is £11,015,100; capital, £14,553,000. Fiduciary issued, raised from £630 millions to £680 millions on April 30, 1941.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Finland appeared in "The Economist" of Dec. 9th, 1939: Norway, of Apr. 13th, 1940; Denmark, of Apr. 27th; Netherlands, of May 11th; Belgium, of May 18th; France, of June 8th; Switzerland, of June 15th; Java, of June 22nd; Latvia, of Oct. 5th; Estonia, of Oct. 26th; Melite Iran, of Nov. 23rd; Lithuania, of Nov. 30th; Reichsbank, of Feb. 15th; Egypt and Japan, of May 10th; International Settlements, Bulgaria, Prague and Turkey, of May 31st; U.S. Federal Reporting Member Banks, Greece, Yugoslavia and New Zealand of June 7th; Hungary, Australia and Canada, of June 14th.

BANK OF SWEDEN

Million kroner

	May 24 1940	Feb. 28 1941	Mar. 15 1941	Mar. 22 1941
ASSETS				
Gold reserve	780.7	716.2	722.6	728.5
Secondary cover:				
Swedish assets	986.4	822.1	822.0	817.2
Foreign assets	435.8	747.2	744.5	750.5
LIABILITIES				
Notes in circulation	1,394.3	1,425.3	1,331.0	1,312.4
Deposits: Government	160.6	150.8	163.9	162.3
Bankers & others	95.6	394.0	484.5	505.9

† Including "gold abroad not included in gold reserve."

BANK OF PORTUGAL

Million escudos.

	Dec. 31 1940	Dec. 31 1940	Jan. 15 1941	Jan. 15 1941
ASSETS				
Gold	1,232.4	1,239.5	1,239.5	1,239.5
Reserves abroad	835.4	869.2	878.4	883.1
Discounts	382.7	386.1	375.8	367.6
Securities	278.7	329.6	329.6	329.6
LIABILITIES				
Notes in circulation	2,840.7	2,903.4	2,848.0	2,785.9
Deposits: Government	129.7	247.2	322.4	346.4
Bankers	883.3	851.1	800.7	884.3
Others	188.3	214.7	209.8	203.7
Foreign commitments	255.7	235.7	235.7	237.0

U.S. FEDERAL RESERVE BANKS

Million \$'s

	June 12 1940	June 30 1941	June 5 1941	June 12 1941
12 U.S.F.R. BANKS				
RESOURCES				
Gold Certifs. on hand and due from Treas.	17,201	20,317	20,315	20,314
Total reserves	17,580	20,628	20,601	20,614
Total cash reserves	368	300	277	289
Total U.S. Govt. secs.	2,477	2,184	2,184	2,184
Total bills and secs.	2,489	2,196	2,195	2,195
Total resources	21,019	23,768	23,795	23,818
LIABILITIES				
F.R. notes in circ.	5,081	6,460	6,534	6,542
Excess m. bank res.	6,610	5,820	5,410	5,590
Mr. banks res. dep.	13,510	13,749	13,201	13,312
Govt. deposits	265	462	933	941
Total deposits	14,790	16,137	16,046	16,062
Total liabilities	21,019	23,768	23,795	23,818
Reserve ratio	88.5%	91.3%	91.2%	91.2%
BANKS AND TREASURY				
RESOURCES				
Monetary gold stock	19,427	22,573	22,579	22,593
Treas. & bk. currency	3,000	3,133	3,136	3,138
LIABILITIES				
Money in circulation	7,717	2,294	9,394	9,393
Treas. cash and dep.	2,465	2,683	3,222	3,181

RESERVE BANK OF INDIA

Million Rupees

	June 7 1940	May 26 1941	May 30 1941	June 16 1941
ASSETS				
Gold coin and bullion .	444	444	444	444
Rupee coin	396	360	364	358
Balances abroad	194	319	403	861
Sterling securities	1,285	1,138	1,138	1,188
Indian Gov. rupee secs.	486	913	913	913
Investments	72	75	79	80
LIABILITIES				
Notes in circin. : India	2,400	2,554	2,552	2,597
Burma	134	178	178	178
Deposits : Govts.	107	120	201	201
Banks	208	289	290	290
Reserve Ratio	66 1/4 %	55 1/4 %	55 1/4 %	56 1/4 %

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	+ or - in Carry Forward	Total Profit	Net Profit
Coal, Iron and Steel												
Amal. Anthracite Coils	Dec. 31	215,955	80,000	Dr. 66,771	18,858	13,724	£	%	£	£	307,512	76,348
Brown (John) & Co.	Mar. 31	592,264	67,992	426,890	629,274	49,010	269,237	12½	100,000	-80,495	566,595	41,337
Manchester Collieries	Mar. 31	220,965	10,193	23,880	164,646	45,126	...	...	...	-21,246	333,007	108,323
North British Locomotive	Dec. 31	222,660	...	72,660	168,262	75,000(a)	...	...	...	...	144,299	...
Park Gate Iron & Steel	Mar. 31	149,476	60,000	40,232	87,971	40,000	4	...	...	-2,340	144,299	70,020
Ruston & Hornsby	Mar. 31	453,443	...	194,359	269,376	23,500	133,750	12½	25,000	-7,891	345,517	221,310
Financial Land, &c.												
Canada Company	Dec. 31	5,933	...	Dr. 355	4,789	...	...	...	...	...	674	...
City of London Real Prop.	Apr. 12	259,564	...	47,823(b)	283,508	37,438	...	...	...	-355	8,494	248,068
Forestral Land &c.	Dec. 31	613,177	...	497,330	676,669	111,951	175,243	9	250,000	-39,855	792,577	618,883
Hyderabad (Deccan)	Apr. 30	21,919	25	28,536	...	...	22,400	3½	...	481	27,964	22,148
Java Investment, &c.	Dec. 31	68,583	...	17,348	28,747	...	12,600	6	5,000	-252	51,690	21,705
Rubber												
Batu Tiga (Selangor)	Dec. 31	64,432	...	27,603	30,166	...	27,281	11½	...	+ 322	34,552	25,068
Doloswella	Dec. 31	29,173	2,890	14,282	17,835	...	13,624	6	...	+ 458	22,266	10,266
Grand Central (Ceylon)	Dec. 31	162,048	4,286	67,763	110,907	...	94,143	6½	...	-11,410	94,143	64,414
Kala-Kalumpung	Dec. 31	113,797	5,500	54,962	87,199	...	49,875	7	...	+ 5,987	55,999	39,448
Nagole (Ceylon)	Dec. 31	19,463	637	7,490	8,019	...	7,406	4	...	...	11,084	4,907
Rahman	Dec. 31	4,565	17	1,332	1,779	...	1,125	6	...	+ 207	2,530	904
Yunnan	Dec. 31	2,090	...	1,357	3,338	...	439	3½	...	+ 018	1,000	997
Textiles												
Sammugur Jute	Dec. 31	258,126	10,000	58,126	117,347	7,088	48,150	10	...	+ 2,888	80,766	65,266
Titagur Jute	Dec. 31	261,354	...	71,354	97,481	7,088	48,150	10	...	+ 16,116	72,554	65,444
Victoria Jute	Dec. 31	184,685	...	44,685	71,901	7,088	32,100	10	...	+ 5,497	56,853	43,853
Trusts												
Abbotts Investment	Apr. 15	48,031	...	15,084	29,522	...	10,771	4	...	+ 4,313	47,822	16,491
English & International	Apr. 15	26,290	...	15,132	30,800	...	8,295	10	...	+ 1,210	26,835	26,835
Indian & General	Apr. 15	405,365	...	188,112	393,634	...	95,898	12	...	+ 853	18,723	18,723
Investment Trust Corp.	May 1	57,931	...	43,716	74,280	30,000	72,751	3	...	+ 5,714	438,877	219,913
Sec. Lon. Scot. American	Apr. 15	212,431	...	114,005	216,010	35,259	...	...	...	+ 5,995	214,376	124,921
Other Companies												
Alliance Box	Mar. 31	119,842	...	29,396	43,732	7,500	16,250	2½	2,500	+ 3,146	59,848	25,383
Barry & Staines	Jan. 31	122,168	...	107,899	196,957	12,460	94,883	10	...	+ 1,971	118,475	161,329
Boulton Plant Aircraft	July 31	95,619	14,571	20,529	41,368	...	12,500	5	10,000	-1,971	118,475	40,876
British Coated Board, &c.	Mar. 31	20,964	5,617	9,504	Dr. 13,293	...	31,495	10½	5,000	+ 9,504	Dr. 8,516	Dr. 14,420
Brownlee & Co.	Mar. 31	45,961	...	42,184	110,135	2,563	78,750	15	5,000	+ 3,126	86,652	81,769
Court Line	Dec. 31	183,690	40,000	142,323	208,598	...	13,702	15	5,000	+ 63,753	124,800	83,452
Dartford Stamping	Feb. 28	60,052	2,000	21,308	36,555	...	15,450	15	5,000	+ 2,900	66,135	29,683
Harper (John) & Co.	Apr. 1	71,322	...	26,467	36,765	3,558	23,000	17½	5,000	+ 2,205	92,590	36,210
Hattersley (Ormskirk)	Apr. 1	82,014	...	30,205	49,677	...	28,785	15(1)	...	+ 153	330,410	131,659
Humber Limited	July 31	349,596	78,686	63,960	218,901	35,022	1,890	10	...	+ 202	25,783	8,999
King's Motors (Oxford)	Mar. 31	22,006	640	12,632	5,189	...	3,000	7½	55,000	+ 317	730,000	143,620
Lisbon Electric Tramways	Dec. 31	839,254	...	142,033	174,738	25,533	61,817	6½	...	+ 1,953	70,555	27,415
Macwoods Ltd.	Jan. 31	26,528	...	6,752	8,361	...	3,625	7	2,000	+ 204	8,835	11,442
Mansfield Limited	Mar. 31	11,711	...	5,379	7,839	4,550	6,450	7½	40,000	+ 1,413	13,107	10,723
Manroff Wagons	Dec. 31	62,311	9,704	7,275	10,943	...	3,500	7	4,000	+ 815	428,136	173,555
New River Co.	Mar. 25	64,764	10	17,553	29,965	...	3,750	37½	...	+ 24,240	306,234	306,234
Odham Press	Dec. 31	606,229	84,878	174,765	260,812	70,500	63,450	7	...	+ 1,953	70,555	27,415
Randall (C. W.)	Dec. 31	14,533	119	37,462	6,000	...	3,750	37½	...	+ 1,413	13,107	10,723
Siemens Brothers	Dec. 31	262,990	...	262,990	636,101	55,000	188,750	7½	...	+ 24,240	306,234	306,234
Sumvretta Limited	Mar. 31	Dr. 7	...	Dr. 7	458	...	...	...	...	...	...	...
Tweedales & Smalley	Apr. 30	71,875	...	65,947	123,074	...	56,250	12½	10,000	-7	Dr. 231	Dr. 231
Twyford Limited	Dec. 31	22,802	...	18,702	60,443	...	20,917	6	...	+ 2,215	56,148	52,111
Venezuelan Oil Concess.	Dec. 31	3,353,114	783,769	1,108,686	1,346,859	...	1,214,557	16½(c)	...	-110,891	3,687,656	1,281,984
Wyman & Sons	Dec. 28	51,235	...	11,376	21,471	...	11,200	4	...	+ 176	49,128	19,813
Totals (£'000's)	No. of Cos.	51	11,269	1,262	4,355	791	3,136	...	525	+ 97	10,938	5,404
Jan. 1 to June 21, 1941	867	181,204	13,058	92,496	143,686	19,511	61,248	...	8,384	+ 3,353	176,134	103,344

† Free of Income Tax. (a) Four years. (b) Excludes £100,000 put to War Damage Reserve. (c) Paid on Preference and Ordinary Shares. (d) Preferred Ordinary Shares.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash. Previous year's rate is total dividend unless marked* indicating interim dividend.

Company	Int. or Final	Total	Payable	Prev. Year	Company	Int. or Final	Total	Payable	Prev. Year	Company	Int. or Final	Total	Payable	Prev. Year
BANKS					BANKS					BANKS				
Barclays (D. C. & O.)	3*	...	June 30	3*	Langlaagte	6½	...	Aug 13	6d.	Village Main Reef	2½	...	Aug 14	9d.
A. & B.	...	...	...	...	Luipards Vlei	20½	...	Aug 13	25	Vogelstruisbult Gold	10½d.	...	Aug 14	1/1
Imperial of Iran	6†	9	...	9	Marieba Cons.	6d.	...	Aug 14	1/3	West Rand Cons.	1/1	...	Aug 14	1/1
RAILWAYS					Modder B.	1/3	...	Aug 14	1/3	West Springs	1/1	...	Aug 14	1/1
Rhodesia Railways	...	25	...	20	Modder East	3/6	...	Aug 14	4/1	Witwatersrand Deep	8½	...	Aug 14	3/8
TEA AND RUBBER					New Era Cons.	7½	...	Aug 13	...	Witwatersrand Gold	2½	...	Aug 13	...
Cheviot Rubber	...	10	July 14	10	New Modder	1/6	...	...	2/3	INDUSTRIALS				
Labu Rubber	...	10	July 14	10	New State Areas	2½	...	Aug 14	2/3	Allied Ironfoundries	...	6	...	7
Sapong Rubber	...	12	...	9	Nigel Gold	1/10½	...	Aug 13	2/9	Anglo Alpha Cement	...	3½	...	Aug 14
Sialang Rubber	...	4	...	...	Nourse	2/3	...	Aug 14	2/3	Apex (Trinidad) Oil	12½	...	...	...
United Sui Becong Rbr.	9†	15	...	12½	Randfontein	2/3	...	Aug 13	2/3	Associated Motor Cycles	5*	...	June 19	3
MINE					Rand Mines	1/6	...	...	1/6	Brickwood & Co.	...	24	...	...
Anglo Transvaal Coils	5†	10	...	12½	Randfontein Cons.	4/1	...	Aug 14	4/1	Bulmer & Lamb	5†	10	...	2
Ass. Manganese Mines	10*	...	Aug 14	5*	Robinson Deep "B"	1/10½	...	Aug 14	10½d.	Bulmer Oil	10*	15	July 9	...
Brakpan Mines	1/3	...	Aug 13	1/6	Rose Deep	2/1	...	Aug 14	2/6	Cakebread Robey & Co.	10†	25	...	1
City Deep	2/6	...	Aug 14	2/6	Simmer & Jack Mines	6d.	...	Aug 14	7½d.	Callenders Cable	10†	25	...	1
Cons. Main Reef	2/6	...	Aug 14	3/1	South African Land	3/3	...	Aug 13	3/6	Forster's Glass	...	15	...	...
Crown Mines	8/1	...	Aug 14	9/6	S. & Cent. African Gold	1½†	2½	Aug 13	Nil	Harland & Wolff "B"	...	6	...	...
Dagfontein Mines	1/4	...	Aug 14	1/6	Sub-Nigel Ltd.	1/1	...	Aug 13	1/3½	Hawker Engineering	...	3	...	...
Durban Deep	1/9	...	Aug 14	1/6	Tekka Tailding	6½	...	Aug 14	7/6	Liebig's Extract	12½-ps	...	July 17	13
E. Champ d'Or	10½d.	...	Aug 13	1/1	Transvaal Nigel	...	...	June 25	6d.	Marconi's Wireless	3½*	28	June 7	...
Dagfontein Mines	1/3	...	Aug 14	1/6	Van Dyk Cons.	10½d.	...	Aug 13	1/9	Newcastle Breweries	2½*	...	...	...
East Rand Proprietary	6/9	...	Aug 14	7/6	Van Ryn Gold	1/6†	...	Aug 13	1/9	Odham Press	...	7½	...	...
Geduld Proprietary	2/1	...	Aug 14	2/1	Venterspost Gold	9d.	...	Aug 14	3d.	Turner & Newall	3½*	...	July 19	1
Goldenhuis Deep	1/9	...	Aug 13	1/10½						Tweedales & Smalley	...	12½	...	...
Govt. Area	1/9	...	Aug 13	1/10½						Twyford	4†	6	...	...
Grootvlei Proprietary	2/1	...	Aug 14	2/3										

OVERSEA WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1941	+ or —	1941	+ or —
B.A. and Pacific	49	June 7	\$1,540,000	+ 425,000	70,503,000	+ 2,494,000
B.A. Gt. Southern	49	" 7	12,113,000	+ 228,000	109,188,000	+ 6,335,000
B.A. Western	49	" 7	851,000	+ 134,000	38,739,000	+ 229,000
Canadian Pacific	24	" 14	\$4,275,000	+ 1,112,000	88,727,000	+ 22,501,000
Central Argentine	49	" 7	11,683,150	+ 251,900	80,550,750	+ 5,736,450

† Receipts in Argentine pesos.

† Receipts in Argentine pesos.

UNIT TRUST PRICES

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

(Table excludes certain open and closed trusts)					
Name	June 17, 1941	Name	June 17, 1941	Name	June 17, 1941
Second Bnt. Ltd	19/3 bid	National D.	9/3-10/3xd	Key. Gold.	811-1
Lim'd Inv.	12/9xd bid	Century . . .	10/104-12/74	Br. Ind. 4th	106-11
New British	7/6 bid	Scottish . . .	9/10-10/9	Met. & M'n.	180-11
Inv. Trust.	9/10-10/9	Univ. 2nd . .	11/103-13/74	Cum. Inv.	9-9-1
Pk-Insur.	14/3-15/9	Inv. Flex.	9/10-10/3	Cum. Inv.	180-11
Insurance.	14/3-15/9	Inv. Gen.	12/6-13/8	Producers.	8-6-6
Bank	14/9-16/6	Key. Flex.	9/10-11/9	Orthodox	71
Scottish	10/6-11/9	KEY . . .	10/104-12/74		

COMMODITY AND INDUSTRY NEWS

REPORTS were current last Friday that the United States was about to control imports and distribution of metals. This may have been the cause of the selling of tin which took place on the London market, with a consequent fall in prices. Cash tin fell by £3 5s. per ton to £260 15s.-£261, with three months at £262 15s.-£263. There has been some recovery this week, and on Wednesday standard cash was £264 5s.-£264 10s., compared with £267-£267 5s. a week earlier. The forward quotation was £265 10s.-£266, compared with £267-£267 5s. There has been very little movement in rubber prices. Smoked sheet, spot, when quoted, has been 13½d. per lb.

Raw cotton consumption in the United States continues on a record level, the amount used last month being 919,000 bales, against 920,000 bales in April and only 636,000 bales in May of last year.

Wool Textile Price Regulation.—A method of regulating wool textile prices has been voluntarily agreed by the Wool Textile Delegation, in accordance with the principles of the Prices of Goods Act, 1939. The Central Price Regulation Committee announces that the terms of the agreement cover a definition of the factors involved in fixing costs of production and marketing, and that a maximum percentage for profits has been agreed. The Delegation has set up a Central Concentration Committee which is reported to have made good progress in working out the details of the concentration scheme for the wool textile industry.

Copper Deliveries in U.S.A.—The figure of 141,801 tons of copper delivered to American consumers during May is a record one, and compares with 123,580 tons for April. Production figures showed a rise from 88,271 to 90,292 tons of crude copper, while refined copper production was 89,390 tons in May, compared with 88,659 tons in April. Refined stocks at the end of May were 95,568 tons, a fall of 2,193 tons during the month.

Cotton-Weaving Concentration.—The feature of the week has been that the concentration of production in the weaving branch has begun. A number of firms have been instructed to close down early in July, and more concerns have been appointed nucleus firms. Cloth business has been difficult to arrange, but fair orders have been placed for the Government and in essential cloths for the Home Services. Irregular buying has occurred for export, chiefly for Java, South America, West Africa and the Dominions. Much more foreign trade could undoubtedly be done but for the restricted quotas of shippers. A limited trade has been reported in yarns.

Chlorates Controlled.—Purchases and sales of chlorates and all substances containing not less than 10 per cent by weight of free chlorate were controlled by the Minister of Supply from June 14th, under the Control of Chlorates (No. 1) Order. A licence authorising sales must be obtained by the seller unless he sells to a holder of a licence which entitles him to acquire the material.

Food Rationing Changes.—The butter ration is to be reduced from June 30th from 4 ozs. to 2 ozs., but this cut may be made up with margarine, since the total fats ration of 8 ozs. is to remain unchanged. On the same date the cheese ration is to be doubled and will be 2 ozs. a week for ordinary consumers, but the 8 ozs. ration for agricultural workers, underground miners and vegetarians is not to be altered. The minimum preserves ration of 8 ozs. a month has now been changed into a fixed 8 ozs. ration, but in August next it will be raised to 1 lb. a month.

Potato Prices.—Prices of old potatoes were reduced this week to encourage consumption of what is left of the old crop

now that new potatoes should come onto the market. Old potato prices will vary between 5d. to 7½d. per 7 lbs. according to grade and locality. New potatoes are 4d. per lb., but the price will drop to 3½d. per lb. on June 23rd. Further progressive falls in the price of new potatoes will take place.

WORLD SHIPMENTS OF WHEAT AND FLOUR				
From ('000 quarters)	Week ended	From Aug. 1 to		
	May 31, 1941	June 7, 1941	June 8, 1940	June 7, 1941
N. America	723	624	23,612	23,410
Argentina, Uruguay	362	278	18,658	9,648
Australia	*	*	4,549†	429
Russia	...	...	114	182
Danube and district	...	...	6,335	...
Other countries	...	...	945	...

* Unobtainable. † Incomplete.

Source: The Corn Trade News.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN UNITED KINGDOM

	Mar. 31, 1937*	Aug. 30, 1939	May 26, 1941	June 4, 1940	June 10, 1941
Cereals and meat	93.0	66.9	98.1	85.4	97.9
Other foods	70.4	61.1	93.4	79.8	91.1
Textiles	74.2	54.3	92.0	89.4	92.8
Minerals	113.2	77.6	129.6	118.1	129.7
Miscellaneous	87.0	77.6	113.0	107.7	113.2
Complete Index	87.2	70.3	104.9	95.9	105.3

1913-100... 119.9 96.8 144.3 132.0 144.8

* Highest level reached during 1932-37 recovery.

"THE ECONOMIST" SENSITIVE PRICE INDEX

	June 12, 1941	June 13, 1941	June 16, 1941	June 17, 1941	June 18, 1941
Crops	108.5	108.5	108.5	108.5	108.5
Raw materials	170.8	170.8	170.7	170.0	171.0
Complete Index	136.1	136.0	136.1	136.1	136.2

	Mar. 31, 1937*	Aug. 31, 1939	June 18, 1941	May 19, 1941	June 11, 1941
Crops	147.9	92.2	105.1	108.5	108.5
Raw materials	207.3	122.9	171.0	173.2	171.4
Complete Index	175.1	106.4	134.0	137.1	136.3

* Highest level reached during 1932-37 recovery.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended	From Apr. 1 to		
	May 31, 1941	June 7, 1941	June 9, 1940	June 7, 1941
Argentina	3	1	3,284	43
Atlantic America	20	5	197	87
Danube Region	*	*	452	*
S. & E. Africa	*	*	630†	*
Indo-China, etc.	...	...	91	...

* Unreceived. † Incomplete.

Source: The Corn Trade News.

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS

000's omitted											
MAY, 1941	Barclays Bank Ltd.	Comt. & Co.	District Bank Ltd.	Glyn, Mills & Co.	Lloyds Bank Ltd.	Martins Bank Ltd.	Midland Bank Ltd.	National Bank Ltd.	National Provincial Bank Ltd.	Westminster Bank Ltd.	Williams Deacon's Bank Ltd.
Date: 27th.	26th.	26th.	26th.	27th.	20th.	28th.	28th.	23rd.	28th.	29th.	19th.
ASSETS	£	£	£	£	£	£	£	£	£	£	£
Coin, Bank Notes and Balances with the Bank of England	57,921	3,202	11,790	4,255	53,684	14,187	62,532	3,208	41,537	35,728	5,944
Balances with and Cheques in course of collection on other Banks in Great Britain and Ireland	18,703	736	3,312	1,408	15,991	3,232	17,742	299	16,150	15,596	3,344
Items in Transit	17,395	3,445	5,897	3,574	13,337	2,827	17,742	299	16,150	15,596	3,344
Money at Call and Short Notice	29,854	1,543	8,981	1,439	21,441	5,205	19,205	3,996	20,925	19,393	7,357
Bills Discounted	97,000	1,500	10,000	7,500	27,090	9,304	38,815	1,153	32,933	20,391	1,304
Treasury Deposit Receipts	149,011	11,633	40,616	17,903	140,034	46,552	169,133	500	61,500	63,500	8,000
Investments	187,626	8,576	26,802	8,926	149,099	37,464	183,595	16,896	112,927	129,147	16,346
Advances to Customers and other A/cs	13,272	858	3,281	3,712	18,398	9,102	13,276	272	10,317	33,564	1,789
Liabilities of Customers for Acceptances, Endorsements, etc.	7,959	412	1,533	740	7,327	2,850	9,618	559	7,235	8,270	994
Bank Premises Account	6,280	—	—	—	3,775	—	8,200	—	2,514	2,992	—
Investments in Affiliated Banks and Subsidiary Companies	584,712	31,905	118,212	49,457	542,676	149,723	624,116	41,896	422,427	451,769	56,557
Ratio of Cash to Current, Deposit and other Accounts	10.48	11.02	10.82	9.71	10.77	10.68	10.72	8.54	10.54	8.94	11.43
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
Reserve Fund	11,250	1,000	2,977	850	10,000	3,600	12,410	1,180	8,500	9,320	900
Current, Deposit and other Accounts	544,332	29,047	108,978	43,835	498,457	132,830	583,271	37,580	394,131	399,548	51,993
Acceptances, Endorsements, etc.	13,272	858	3,281	3,712	18,398	9,102	13,276	272	10,317	33,564	1,789
Notes in Circulation	—	—	—	—	11	22	—	1,384	—	—	—
Total	584,712	31,905	118,212	49,457	542,676	149,723	624,116	41,896	422,427	451,769	56,557

THE ECONOMIST

Vol. CXL

JUNE 28, 1941

No. 5105

CONTENTS

LEADING ARTICLES

	PAGE
Right About Turn	841
Checks on Production	844
Using the Facts	845

NOTES OF THE WEEK

The Progress of the War	846
Striking Power	846
The Running Sore	847
The Coal Crisis	847
War Finance	848
The President and Public Opinion	848
Efficiency at the Docks	848
Technique of Price Control	848
Unrationed Foods	849
Damascus and After	849
Negotiations at Djibouti	849
Strengthening Regionalism	849
Ranks and Rates	849
Young Delinquents	850
Air Raid Casualties	850
Taxation—Contracting Out	850
Shorter Notes	850

THE WORLD OVERSEAS

	PAGE
The Finances of Vichy France	851
Social Policy in Eire	852
Argentina's Trade with the United States	852
Egyptian Reactions to the Nazi Push	853
Sudan's Satisfactory Finances	853
Portuguese Trade in 1940	853

THE BUSINESS WORLD

LEADING ARTICLE

Russian Resources	854
-------------------------	-----

FINANCE AND BANKING

Comfortable Half-year End	855
Discouraging the Use of Drafts	855
Large American Loan Expected	856
Russian Dollar Assets Unfrozen	856
Japan Centralises Exchange Operations	856

INVESTMENT

Russia and the Investor	857
Stabilisation by Subsidy	857
A.B. Picture Control	857

INSURANCE NOTES	PAGE
London Life	857
Provident Association	874

COMPANY NOTES

Cable and Wireless Holding	857
Iron and Coal Results	858
Harland and Wolff Record Profits	858
"Shell" Earnings Reduced	858
Reckitt and Colman Earnings	859
Bleachers' Association Recovery	859
THE STOCK EXCHANGES	859
CAPITAL ISSUES	860
SHORTER COMMENTS	860

INDUSTRY AND TRADE

Cement and Shelters	860
Concentration of Rayon Industry	860
Conserving Man-Power	861
Caucasian Oil in the Soviet Economy	861
Russia's Mineral Resources	861
Britain's Crop Prospects	861
COMMODITY AND INDUSTRY NEWS	869

COMPANY MEETINGS

.....	862
-------	-----

CURRENT STATISTICS

.....	870
-------	-----

QUARTERLY TRADE SUPP.

Right About Turn

AT dawn on June 22nd—129 years to the day and almost to the hour after Napoleon crossed the Russian frontier en route for Moscow—Hitler raised the curtain on a new world tragedy; and once again Mr Churchill was proved a true prophet. For months, the Prime Minister had publicly forecast this attack on Soviet Russia; he had warned Stalin; and, in rebuke, he had told the British Communists to expect orders soon to "turn about." Yet many people remained sceptical until the blow was struck. They did not doubt the calculating lust of the Nazis, and they did not expect that the formal accord between Germany and Russia would be any brake upon Nazi aggrandisement. But they underestimated the arrogance of Hitler. They did not believe that the glaring risk of a major war in the East would be taken except under extreme pressure, and they could not agree that, in sober fact, the need of Germany for oil and grain represented such pressure. Mr. Churchill mentioned oil and grain in his speech on Sunday; but (as an article on page 854 suggests) this campaign can hardly bring any quick advantages to the invaders in the economic sphere. On both sides of the battle-line, unless there were an almost immediate collapse of the defenders, the harvests must suffer; the normal supplies from Russia will cease; and the much-publicised stocks of the Ukraine and Caucasus, lying ready to be driven away in army trucks, are a myth. In the very short run, the consequences of a war will probably be economic loss not gain; it closes a gap in the blockade; and the mobilisation of Russian resources to nourish German Europe would be a lengthy process.

The fact is that the economic interpretation of Nazi strategy has been overdone. That Russia could be made the hinterland of Nazi power is undeniable; this is the insurance that the Nazis hope successful invasion now

may give them against failures in other fields later on. But that Russia can straightaway be made the base of the German armies is fanciful. The invasion of Russia is a military adventure; it surprised the sceptics because they did not believe that even Hitler was sufficiently sure of his military power to engage Russia while his fight with the western democracies was growing in violence. It must be the Nazis' hope to put an end to Russian resistance before Britain, with American aid, can strike hard enough to shake them; to remove all military danger in the east before moving west to Britain, south to Africa or south-east to Persia and India; to lock the back door of German Europe; to outflank and outmanoeuvre all possible enemies and to defeat them one by one. It is not a new design, but the present pace is breath-taking. This invasion must not be taken as a sign that Hitler is now turning to the strategy of a long war, but rather as clear evidence that he believes he can end the conflict by a series of killing strokes before America's economic strength can be translated into military power. Triumph in Russia would add immensely to German powers of resistance if the war dragged on. But, by this invasion, the year 1941 is made, not the respite that a few fond people have imagined since Sunday morning, but the period of decision for all the world.

Hitler's reach may exceed his grasp; even if he wins quickly, he may find himself involved in commitments which he can neither limit nor control. Rightly, Mr Churchill made no prophecy when he spoke to the Commonwealth, the Empire and the United States on Sunday evening. He did not say—as some American newspapers are saying, and as the legion of British publicists said when the Germans attacked Norway, the Low Countries, Greece and Crete—that this attack is a desperate gamble. If it fails, it will indeed be a disaster for the attacker; but if

it succeeds, it will be a great victory, and all that can usefully be said now is that the danger to the democracies has been raised to a peak by the strength and confidence of this savage stroke. It is a warning, not a relief. It is a siren sounding through the gathering darkness.

The extent of the danger depends on Russia's resistance and the awareness of the rest of the world. Russia's resistance needs the aid and encouragement of all free states and peoples. This is the crux; and Mr Churchill has never surpassed the statesmanship he showed when he faced this issue in his broadcast. Most of the free world is opposed to Communism. Russia's aid to the Nazis had not increased its friends. Justly, the Poles, the Finns and the Roumanians have bitter memories. Mr. Churchill speaks for multitudes when he says that he has been an enemy of Communism for twenty years—and remains so. Almost without exception, the policy of Stalin at home and abroad has earned the contempt of those who love freedom and straight dealing. But this is no class war or question of ideology. It is an opportunity in the grand strategy of a world conflict, a conflict which is a battle against disaster for all the peoples; and the people of Russia are in the van as they guard their homes. From every Government pledged to bring Hitler down they will earn—and receive—all possible assistance. Like every ruler who stands firm against the common German foe, the governors of the Soviets can be treated as full allies while they fight. It is self-interest to do so. In 1939 it would have been strategic madness to have chosen Russia as an added enemy. It would be equal madness now to spurn Hitler's gift of an eastern ally.

It was an act of swift, strategic wisdom to give this prompt pledge on behalf of Britain. It ended a campaign of whispers which, with the "peace visit" of Hess as its focus, had professed to see a plan to "switch the war" in high places. Hitler's plain aim is to split every country in the world against the Bolsheviks; and the urgent need of the hour is that Mr. Churchill's leadership shall be immediately followed wherever men are free—in the rank and file of this country, among the classes and the masses of the United States, among men of sense and religion in every continent. The whole world will be shaken by the choice. Alliances and declarations will be made. There will be preparations for grimmer battles. But one fact remains unchallenged. It is Hitler who has made every stage of this war. It is Hitler who threatens the earth. And it is Hitler who must be defeated.

"Friendship" and Aggression

To understand the trend of the events which have led up to the attack on Russia, it is necessary to drop ideological considerations as completely as Hitler has done. Ideology in Hitler's armoury is one weapon among many others to secure an increase in power, and it is power in its most naked form that is the ultimate goal of Nazi policy. The question whether a State is Bolshevik or Liberal or Democratic or Catholic is quite immaterial. In Hitler's eyes its significance is only that it exists and that its independent existence is—however cowed and peaceful it may be—an obstacle to total German domination. It is possible to read into the pages of *Mein Kampf* a limited objective—domination of Europe and of Western Russia only, while the seas of the New World are left to Anglo-Saxondom. But *Mein Kampf* is a modest little book, written before Hitler fully realised the possibilities of his world-shattering technique of naked and unlimited aggression. Since those months in the fortress, Hitler's ambition has grown with each evidence of human weakness and human folly. Europe and the Ukraine are no longer enough. As the proclamation which preceded the attack on Russia makes clear, the conquest of Russia is not an end in itself, but a means, an incident in the struggle with Britain and America for the domination of the world. Throughout Hitler's tirade, the enemy is not Russia, but Britain, and, behind Britain, the power of the United States.

Russian diplomacy has probably been alive to the implications of Nazism for longer than have the statesmen of Western Europe. Their immediate fear sprang from

the fact that the riches of the Ukraine figured so prominently in the early *Mein Kampf* programme. It was reinforced by Hitler's use of anti-Bolshevism in the first years of his rise to power. The years from 1933 to 1937 saw one long attempt by Russia to ensure that, if Hitler struck east, France and Britain would enter the war. In this attempt, dogmatic, orthodox Communism was dropped, and the line of anti-Fascism and the Popular Front adopted. Thus Hitler not only represented no ideology himself; he was the cause of its abandonment in others. Nevertheless he was still able, with entire cynicism, to manipulate the anti-Communist tendencies of the West and, in the Anti-Comintern Pact, to forge a weapon which helped to prevent any real *rapprochement* between East and West. It was his weapon against "encirclement"; and before ever he made war, he was already using propaganda to avoid a war on two fronts. Hitler's play on Conservative fears on the one hand and revolutionary tendencies on the other was merely carrying the principle of "divide and rule" from top to bottom of the international and national structure of Europe and the world.

At Munich, Hitler secured the isolation of Russia. The Franco-Russian Pact was dead; Czechoslovakia was divided. There is little doubt that, during the winter of 1938-39, extensive preparations were made for a drive through Poland into Russia to fulfil the *Mein Kampf* programme; but the British guarantee to Poland upset the calculation. Now an attack on Poland would bring in the western countries, and if it were carried through to its logical end in the Ukraine, then Germany would be facing the same hostile coalition which ultimately had caused her downfall in 1918.

The negotiations which led up to the pact of September 1939 had one purpose only, to ensure that when Germany attacked Poland, Russia would remain neutral. Half Poland and a free hand on the "Russian fringe" were freely offered as a bait. In short, Germany was asking Russia to do nothing in return for substantial benefits. Britain's concurrent negotiations had the infinitely harder task of asking Russia to do something—to join in a front against Germany—in return for nothing; and it is significant that one of the reasons for the failure of the negotiations was Britain's refusal to deliver up the Baltic States. The die was almost certainly cast when Britain guaranteed Poland. The Russians realised then that Germany would turn west once the campaign in Poland was over; and they saw their own security assured by the prospect of years of exhausting trench warfare on the other side of Europe. In August, 1939, they signed their Non-Aggression Pact with Germany and a month later assisted in the partition of Poland. Their policy was curiously reminiscent of that of the State they were dismembering. Poland had signed a Pact of Friendship with Germany and had afterwards joined the Nazis in the partition of Czechoslovakia. In June, 1941, the Russians were to learn that the analogy exactly fitted their case.

From the signature of the Nazi-Soviet Pact until the end of the first Battle of Britain, the Russians enjoyed an uneasy security, and they took advantage of Germany's engagement in the west to reinforce their own frontiers. The partition of Poland was followed by the "protection" and finally the absorption of the Baltic States, by the war on Finland from which a new defensive frontier was gained, but at very great cost, and—while French resistance collapsed—by the annexation of Bessarabia. The undoubted strategic benefit of these moves could be seen this week when, after several days of mechanised warfare, the Russians were still fighting almost entirely upon territory annexed during 1939 and 1940.

From Hitler's proclamation, it is plain that the process of Russian expansion was followed with resentment and dislike in Berlin. Nevertheless, with the West undefeated, Hitler was even ready to assist Russia in its policy of expansion. The German Balts were withdrawn; the screw was put on Sweden to prevent the passage of troops to the aid of Finland; and Roumania was advised to submit to the Russian claim on Bessarabia. Nothing could better illustrate the provisional nature of the agreement from the German standpoint than Hitler's readiness to see

Russia expand into these German spheres of influence—the Baltic and the Balkans.

The next phase in German-Soviet relations opened with the failure of the Battle of Britain in October, 1940, and the re-election of President Roosevelt in November. The British defences were still intact, and behind them stood an America growing daily more aware of the implications of the war and better able to reinforce Britain's war effort. The turn of events in the west was almost as bad for Russia as if the Germans had won everything in a single knock-out blow in June. While the war in the west would obviously be long and desperate, it did not for the time being engage any great proportion of the *Reichswehr*. Thus Hitler had the choice of ending the threat in the west by an invasion of Britain, in the hopes that Russia would not profit by his pre-occupation; or he could leave the English Channel and the Atlantic to guard the door and turn to the destruction of Russia as a preliminary to the attack on Britain. It was the old dilemma of the war on two fronts. The question in the autumn of 1940 was whether, as a continued centre of independent military power, Russia or Britain was easier to crush. After the failure of the air battles in September, it became more and more obvious that Russia was the easier prey.

It is not hard to discern, in looking back on the winter of 1940-41, a progressive deterioration in German-Russian relations. Molotov's visit to Berlin, which, if Hitler is to be believed, was a mere attempt at clarification, left all the major problems undecided—Finland, whither Germany was already sending troops; the Balkans, where it was not possible to establish spheres of influence; the Straits, where Germany refused to countenance any Soviet infiltration. Relations grew steadily worse. Soviet diplomacy was undoubtedly trying to stiffen the resistance of Bulgaria to German pressure and rumours circulated of the offer of a military pact, rumours which were to be repeated when Yugoslavia came under fire.

There was, however, no spectacular break. The campaigning season did not open until April and the strategic conditions of a successful campaign against Russia were not yet achieved. Bulgaria and Yugoslavia might still look to Russia as the great Slav protector and the British were already in Greece. This dangerous flank had to be cleared before the major campaign began, and it seems certain now that the drive through Greece and on into Crete was not the first stage of an attack upon Suez, but an act of consolidation and defence—the first phase of the Russian campaign. With the fall of Crete, the Dardanelles and the Black Sea were closed and Turkey was neutralised. The attack on Russia could now be launched without fear of direct Allied intervention. Reinforcements arrived in Finland; units were sent north from Greece; and on June 22nd the offensive began.

The Attitude of the Powers

The first obvious fact in this new phase of the war is that Russia is another neutral Power which has striven to keep out of the conflict, has been deceived by a German Pact of Friendship and Non-aggression and has been plunged into the war at the moment best suited to the military purposes of the Reich. In this sense, and in this sense only, the Russians are in much the same position as the Poles or the Dutch; the difference is that the Russians have themselves been gross aggressors. They must bear responsibility for a neutrality which has left them standing alone when, had they fought in September, 1939, they would still have had the might of the French Army to fight with them—and some of the moral conscience of the world to reinforce them. Now, they are attempting to co-operate with Britain without preliminary staff talks. They have seen potential ally after potential ally struck down, because they still hoped, by non-intervention, to secure their own immunity. It is a sorry tale, but it makes no difference to the fact that, now that they are fighting Germany they will receive all the aid that Britain can give. This is the policy Britain has pursued with all the threatened neutrals. The fact that this neutral is a Great Power with formidable military

equipment only makes the policy more obvious and inevitable.

There is every likelihood that the Dominions will take the same line. Australia has already declared itself. The others will follow suit. In the United States, too, the Administration is likely to follow the policy outlined by Mr Churchill. Both Mr Sumner Welles and President Roosevelt have intimated that since Russia is a country fighting German aggression she will receive all the assistance America is in a position to give. Russian assets in the United States of about £25 million, have been unfrozen and will be available for buying war material.

There is no such clear-cut policy for Japan to follow. The provisions of the Tripartite Pact do not come into force, since not even Nazi propaganda can construe the aggression of June 22nd into an attack by Russia upon Germany. On the other hand, the provisions of the Russo-Japanese Pact of Neutrality obviously do and were doubtless framed at the Kremlin with exactly this situation in mind. Mr. Matsuoka has confined himself to cryptic references to the west wind, the blowing of leaves in the east, and the advisability—or inadvisability—of using a broom. The real problem is whether, with Russia fully engaged in the west, the Japanese will be able to resist the chance of a little "reinsurance" on the frontiers of Outer Mongolia and Manchuria. On the other hand, the menace of a Eurasian land mass completely controlled by Germany is certainly not lost on Tokyo.

Europe's View

Were the Soviet Union merely a neutral Power, wantonly attacked without provocation, its entry into the war would create only military and technical problems. But Russia is also a very recent aggressor in her own right. Russia has seized half Poland, all three Baltic States, part of Finland, Bessarabia and the North Bukovina. Germany will presumably take away this defensive *glacis* in the near future; but Russia's relations with these states create awkward problems. Finland and Roumania are both permitting Germany to make full use of their territory as a base for the attack, but while the Roumanians appear to have joined in the fighting from the first, Finland remained "neutral" until the Russians bombed their towns. Britain has already broken off diplomatic relations with Roumania. What should be the line with regard to Finland? It is natural that the Finns should want to be rid of the Russians. Nevertheless, neutrals which are still able at this late day to see distinctions between Nazi exploitation and Soviet occupation must bear the consequences. Finland has been warned that Britain will fight the Germans wherever they are found, even on Finnish territory. At the same time it should be possible to reaffirm Britain's interest in Finland's ultimate independence, from Germany and Russia alike.

There is a similar problem in the Baltic States. These small countries only achieved independence by being set free from Russia; and governments will undoubtedly be set up under German aegis to represent Baltic "independence." The solution is, perhaps, to be found on the lines of the proposals for Finland. Britain cannot recognise any governments set up by Germany, and does not admit the validity of any "independence" established by the Nazis. Nevertheless, British support of Russia's fight for her own independence does not include a condonation of Russia's actions with regard to the independence of others. In the summer of 1939, Britain stood out for the right of the Baltic States to decide their own future. That right must not be sacrificed now.

Finally, there is Poland. General Sikorski can be congratulated on a statesmanlike move by the Polish Government. Russia's participation in the war is accepted as a fact; the assumption is made that the old frontiers of Poland, according to the Treaty of Riga of 1921, are now restored, and that the Pact of Non-Aggression recovers its validity; to the peace settlement is referred the redrawing of frontiers. The Russians can hardly cavil when they are being rapidly dislodged from East Poland; and it may well be that the enforced entry of Russia into the war will render the settlement of the Polish problem far easier than would have been the case if Germany had been

defeated while Russia retained her neutrality and Poland remained at war with both. Germany's own offer to give Poland its independence establishes a new world record of cynicism and hypocrisy. No Pole will be deceived by it, just as no Pole has been found to participate in a quisling Polish Government.

The Propaganda Trap

There remains the difficult question of Russia's ideology. For Germany, it will be a major military and political weapon. Hitler has already launched his latest aggression as "a crusade for European civilisation against world Bolshevism," and the armies advancing towards the Ukraine are described as bringing religious freedom to peoples oppressed by godless atheism. Wherever German propaganda services function, the whisper will go abroad that Britain is allied with atheistic Bolshevism, and that those who support Britain now are working to make the world safe for Communism. It would be foolish to underestimate the importance of this propaganda. It was over the Right-Left split that the resistance of France was largely undermined, and to men of property and to men of religion everywhere Nazi propaganda will reach out to sow suspicion, destroy unity and to encourage support for a compromise peace.

The results of this propaganda in Europe are probably not very important. Vichy has already declared the new attack a "crusade" and there have been organised Falangist anti-British and anti-Soviet demonstrations in Spain. But it is highly probable that the reasons which will bring Spain and Vichy France into the war—or keep them out—are realistic calculations of the military strength of the belligerents and economic necessities at home. It is in the New World that the Russian conflict gives Nazi propaganda a new opportunity. Fear and dislike of Communism is very strong indeed in South America. It is as well to recall the gusto with which the South American republics turned Russia out of the League after the assault on Finland. In the United States, the Catholic spearhead of American isolationism will be reinforced, and the business world on which the success of rearmament so largely depends may be inclined to

grow hesitant in their support of the President. These fears and suspicions can only be met by vigorous British counter-propaganda, not only on the lines laid down in Mr. Churchill's masterly statement—that the Nazi attack is not a crusade but a prelude to the attack on Britain and America, that Britain does not support Communism and that its worst evils are indistinguishable from those of Nazism—but also in the more positive field of defining what traditions Britain represents and of suggesting the creative response the democracies can yet make to the challenge which called first Communism and then Nazism into being.

It remains to be seen whether a new somersault on the part of the Communists will act as a countervailing factor to the new openings for Nazi propaganda. Stalin has after all a Fifth Column in all the occupied countries in Europe, and, though the week that preceded the attack saw wholesale arrests by the Gestapo of Communists and Communist sympathisers, there is obviously a new and potentially powerful instrument of sabotage in German Europe. In Britain and the United States, the question is whether labour agitation, sponsored by Communists, will cease. The British Communist Party has not apparently returned to the happy uninhibited line of the first week of the war when the chief issue was "Why this war must be won" and is conducting a tactical retreat from the People's Government and the People's Peace by way of a bitter attack upon the Churchill Government and its "fascist" sympathies. In America the Communists appear to have been driven into complete confusion.

The policy of the British Government can afford for the time to be unaffected by diplomatic difficulties and ideological complications. The issue facing this country for the next months is quite simply that of survival. The Russian campaign may give Britain a brief respite. The attack when it comes will be all the more deadly for having behind it the full and undivided might of the German military machine. For every citizen—soldier, worker, business executive, civil servant—the only watchword is vigilance and work. The war will still be won or lost in the west and the issue of victory or defeat hangs on the use that is made of the few weeks that yet remain.

Checks on Production

THERE are some people who argue that there is no shortage of labour in this country, but rather a surplus. They claim that war production is merely a matter of management, of making the best use of the labour already engaged; and they deprecate suggestions that any further large-scale transfer of workers from non-essential employment to war work is necessary. In these contentions, moreover, they are accompanied part of the way by the spokesmen of organised labour who declare that men already in war employment often stand idle for lack of jobs to do.

This is one more instance where a half-truth can be dangerous. It would be impossible to deny that inefficient management—or management unduly hampered by cumbersome controls or transport faults—is an important check on production. One proof of this emerges in the very different rates of output sometimes achieved by similar firms in similar conditions. One firm is comparatively successful in securing a balanced flow of materials and tools; another is not. The absence of a really articulated system of priorities, applying not simply to broad categories of production, but to specific orders—and to the transport and other facilities needed to discharge the most urgent orders—is a deterrent to output. There is a relative lack of precise and expert knowledge in high places about the day-to-day progress and balance of production and supplies—about the current effectiveness of managerial organisation and the extent and character of local bottlenecks. These are arguments for a greater use of production experts in supervision and control, and for the firmer use of Governmental powers to eliminate inefficiency in management and to distribute managers of proved efficiency through vital industries.

They are arguments for the fullest and freest criticism of managements, without any manner of restraint, rebuke or concealment, from every participant in the industrial process, from the humblest worker to the manager himself. It is true that more output could be achieved, with greater speed and a better balance, if purposive reorganisation and control measures of this kind were added to, or substituted for, more negative methods.

But the case for production engineers to remodel the war effort—which is not unnaturally voiced mainly by production engineers who tend to share the fault of the technocrats in their belief that "there is little or no limit" to what can be produced from given resources at a given time—has definite bounds. In the short term, the largest single factor in restraining production is the hindrance to the supply of materials caused by the shortage of shipping space and the Battle of the Atlantic. It is impossible to cut the coat except according to the cloth. And, even where actual shortages of materials do not occur, there may still be a hampering unevenness or irregularity about their arrival. More efficient management would make the least of these material difficulties, but it could not remove them, for there is no magic, either in management or official policy, that can decant a quart out of a pint pot.

Is it correct to say, then, that the need to transfer more workers into the war industries for training and work is removed by the fact that better management could make better use of the workers—and materials—already there, or by the fact that the amount of labour that can be used is limited by the amount of materials that can be imported—or mined or manufactured at home. Clearly not. In the first place, a war-winning pro-

gramme of production must look ahead. It must assume that the Battle of the Atlantic will be won. It must assume that the maximum use for production, fighting or defence will have to be made of every man and woman in these islands. The most cursory examination of the population statistics of Britain, on the one hand, and of German Europe, on the other, shows how heavily the crude balance of manpower is tilted in the enemy's favour. It is true that any attempt to match the German fighting forces in numbers would be an impossible task, but this is the case for a 100 per cent effort in the factories to beat quantity by quality, for production on the largest possible scale as well as in the most efficient way. The argument to the contrary implies that, relying on a mobilisation of resources in the United States that will still take many months to achieve (and on the military resistance of the Russian millions), this country can win the war with one hand tied behind its back—that is, with a large part of its workers making no obvious contribution to the war effort. Both morally and arithmetically, the proposition is singularly poor and unconvincing.

Even with the present limitations of management, control, organisation and materials there are labour shortages—of all degrees. The gap in the supply of skilled men can, admittedly, only be narrowed in the near future by better use of those available, though even here a thorough programme of training and retraining, accompanied by further upgrading and dilution, might make a marked numerical expansion possible. In the last resort, in spite of the wide differences between skilled and unskilled workers, between heavy and light workers, manual and sedentary workers, artisan and professional workers and between men and women, manpower is homogeneous. The worker who could not do a particular job can replace another worker who could. Coalmining

is crying out, in grave need, for the return of 50,000 miners, and 50,000 other workers will be needed to replace them in their present jobs. Women are almost desperately needed to release men in the Services for duties which they themselves could not do.

If the supply of materials were a permanent restraint, the scope for enlisting more war workers, either by transfer and training or *in situ* where they are at present doing less essential work, would, of course, be limited. But even then it would not be negligible. It could be made possible for air and arms factories to work continuously without asking any individual worker to do more than a normal working week—to the advantage both of national production and individual productivity. The needs of the Services and coalmining—and agriculture—could, directly or indirectly, be met. With United States aid at sea the supply of materials will steadily grow, and there is every case for forward planning of labour requirements and forward training of war workers, as well as for the utmost effort to use every existing item of capacity, material and labour in every locality—a policy still impeded by the lack of central direction over sub-contracting.

The truth is that the "efficiency experts" and those who wish to mobilise the entire nation for war work are not sponsors of rival policies but of complementary and inseparable ones. In the last resort, the war effort will depend on the use made of the "marginal" man or woman—the "last" unit of labour; and manpower is very scarce. There will always be exaggerated shortages of labour if recruits are not ready trained and waiting at every stage of expanded production; and there will always be wastage of labour if management and planning are not shrewd and skilful.

Using the Facts

ON Wednesday the Lords debated the Ministry of Information and a number of cogent and reasoned criticisms emerged in the course of the debate. For once, criticism was concentrated upon the real problem—lack of co-ordination and responsibility, with the result that the debate represented not only a remarkable consensus of opinion but also a real contribution to an understanding of the needs of British propaganda. It is unfortunate that the Ministry should have become the butt of so much ill-informed criticism. The changes of its staff have distracted attention from the real need, which is a re-definition of its function. It is probable that the Ministry could fulfil every call made on it without changing, increasing or decreasing its staff, and without very seriously altering its departmental structure. But it will continue to flounder if the real nature of its task is left permanently undefined.

A first difficulty is the lack of a clear division between the Ministry's functions on the home and on the foreign front. The model of the German Ministry of Propaganda was clearly in the minds of the framers of the Ministry of Information, and it was not realised that there is no place for such a model in the life of a free community. For Goebbels, the German people are as much a field for exploitation and manipulation as the outside world. The Government's line has to be put across to them with roughly the same methods and the same deceptions. Thus there is, in the German Ministry, a certain unity of function. Here in Britain, the very idea of an organ of Government empowered to drag on public opinion is the negation of free government. It is true that "keeping up morale" and kindred employments are only a fraction of the Ministry's work, but the outcry—albeit a misguided outcry—raised against "Cooper's Snoopers" and the general attitude of mental resistance to anything coming out of the Ministry, are evidence of a popular temper whose reactions to home propaganda are perhaps sounder than those of the men who first planned the functions of the Ministry.

It is true that the needs and policy of the Government

have to be placed before the people. But in a democratic community, the correct channel is the Press. The Government must be constantly ready with news of its activities and with guidance on the interpretation of policy. It might be possible for the Ministry, in its work on the home front, to concentrate on co-ordinating and rendering more efficient and vital the liaison between the Government and the Press. At present, there are two main criticisms, one of geographical separation—every Ministry has a public relations officer, but there is no one place where the busy journalist can get all the relevant information in a short time—the other of insufficient co-ordination in the handling of news. At present, apparently, no attempt is made to consider the wants or policies of the various Ministries as a whole. The public relations officers of each Ministry, who come in most part from the profession of commercial advertising, are busy boosting their own departments. Yet there are obvious cases in which the interests of two or three or more Ministries are involved, and both the efficiency of the Government and the understanding of the public would be increased by a presentation of the facts as a whole.

One way out of the difficulty would be to group all the Press relations officers of each Ministry together into one place—so far, the Ministry of Information only contains one body of Press officers, the Foreign Office Press section. This process of unification would be completed if the Minister of Information were to institute a regular conference with the Press officers, at which the presentation of the news as a co-ordinated whole was discussed and the relative interests of the various Ministries established. There is even no reason why the competent Minister should be a Minister of Information. It might, for instance, be found preferable to establish a Press section of the Home Office which included the officers of the other Home Ministries. What is essential is that some kind of co-ordination should be achieved.

In the more important sphere of the Ministry of Information's foreign work, the German model has again given rise to misunderstanding. It is assumed that, because

British propaganda was more successful in the last war, it can learn to out-trump Goebbels in this, provided only it is conducted with sufficient force and initiative. But in the last war, the struggle on the propaganda front was between the tradition of Prussia, which was opposed to any propaganda at all, and the nascent commercial advertising of the British Press lords. To-day the Nazis have fused the technique for the high pressure sales talk, with a diabolical flair for the psychological exploitation of human weakness and human vice, to form a propaganda which, in its powers of deception, suggestion and confusion, is a military weapon of enormous effect. British propaganda cannot surpass Goebbels in this field. The line opened by the Press lords of the last war has been followed to a logical conclusion whither British propaganda cannot follow without betraying the cause for which Britain is fighting.

Moreover, on purely practical grounds, an opportunist attitude towards the truth or lack of it in propaganda is not the best policy in the long run. So far, the world has witnessed the German lie backed by the overwhelming military strength of the Reich. The lie will be a crippling disadvantage when once the tide of German victory has turned. In adversity and defeat, the truth provides a modest resting place where the nation can gather strength, in clarity and confidence, for the next phase of the struggle. Goebbels has deprived the German people of this resting place, and it is safe to say that, once the collapse begins, it will be thrice as fast as a result of the monument of lies upon which victory has been insecurely perched.

To say that Britain cannot compete with Germany in the technique of propaganda evolved by the Nazis does not mean that the Ministry of Information has no function to fulfil in the foreign field. There is overwhelming need for effective British propaganda, but it must be a propaganda based on the judicious use of facts. The presentation of a situation—diplomatic, military, political—can make all the difference to its effectiveness abroad. To give only one example: if a major action is planned in, say, Africa, its propaganda importance in various countries, the likelihood of its success, the line to take until success seems certain, the most suitable vehicle of dissemination—all must be discussed in advance; and joint discussion must continue while the action is in progress. Otherwise, as is all too often true in the case of the war in Africa, it may take days of patient work to undo the harm done by some over-optimistic statement made in the early stages of the action—probably by "A spokesman at Cairo." In parenthesis, the disastrous results of this false optimism

in undermining the world's confidence in the objectivity of British news—in itself a great propaganda asset—should be a lesson to all those who wish to see British propagandists exploiting the lie.

The most advantageous use of facts implies reforms of somewhat the same character as those proposed for the home front. The need is for co-ordination and responsibility. At present, there are far too many independent agencies giving out material without knowledge of what is demanded by the situation as a whole. The chief sin laid at the door of the Service Departments is their clumsiness in the release of news. It is true that there are damaging delays and silences. But there is also the less publicised error of releasing too much, quite indiscriminately. It is obviously wrong that the Air Ministry should have a completely separate news service, and there is immediate need for bringing under the control of the Ministry of Information all the agencies for distributing news. This applies not only to the various Service Departments but to such key services as Reuter's, which is responsible for the dissemination of more information than any Government office and whose activities appear to be largely unco-ordinated.

It also applies to the whole system of secret propaganda which seems at present to be suffering under a troublesome and inefficient system of dual control. Nor is it certain that it is conforming to the criterion of adherence to the facts. There is, of course, everything to be gained by giving the most favourable interpretation of Britain to various groups and classes abroad in terms they can grasp, but the interpretation must be of a Britain that exists outside as well as inside the imagination of the propagandists.

Regrouping will be useless, however, unless final responsibility for the choice and use of news rests firmly upon a Minister capable of dealing with the subordinate agencies—departments or otherwise—on the one hand, and in immediate contact with the War Cabinet on the other. The good use of the facts about Britain's war situation depends upon an intimate knowledge of what that situation is, and only a man in the War Cabinet and in constant contact with the formation of policy can possess that knowledge. The chief reforms necessary in the Ministry appear, both on the home and the foreign front, to resolve themselves into the co-ordination of all the existing agencies for disseminating news under one resolute and efficient control in immediate contact with the War Cabinet. It follows that any great structural reorganisation is probably unnecessary. What is indispensable is a Minister with the vision and resolution and responsibility necessary to the proper fulfilling of his office.

NOTES OF THE WEEK

The Progress of the War

It is too early to report on the progress of the war in the east, especially as it is being conducted without any covering force of war correspondents. The German attack appears to be a triple thrust, in the north through the Baltic States to Leningrad, in the centre through Brest-Litovsk and on to Kiev, and in the south through Bessarabia in the direction of Odessa. So far, it is unlikely that the main forces on either side are engaged, and Germany is probably attempting to repeat the tactics which were so successful in Poland, that is, to destroy enemy aerodromes and aircraft before launching the full mechanised drive reinforced by dive bombers—an attack which ground forces unsupported from the air are almost powerless to resist. The Russians admit serious losses of aircraft and, while it is true they have a margin Poland did not possess, their estimated front-line strength of 5,000 planes must include much that could not be put into the air effectively against the *Luftwaffe*. This loss of aircraft is certainly the most disquieting feature of the preliminary phase of the campaign for, if the Russian Air Force is blasted from the skies or destroyed on the ground, then no amount of sturdy land fighting by Russia's 160 divisions can hold up the German advance. There is little in this sphere that Britain can do to give immediate assistance to the Russians. The advance in Syria is so obviously under-equipped in the air that it may

be concluded that there are no reserves in the Middle East to be sent north to reinforce the Russian Air Force. Help in the air must, for the time being, mean intensified bombing raids on German industrial and military targets and again Hitler has chosen his time well. In these short nights, long distance raids are virtually impossible. Mr Eden has given the welcome assurance that Britain will strike even harder against Germany in the next weeks and, if Russia succeeds in holding a line, it may be possible in the course of the autumn to reinforce the Russian Air Force by the Suez route. This presumably will be one of the problems examined by the economic and military missions which are to be sent without delay to Moscow.

Striking Power

The British counter-offensive in the air by day has been methodically gathering strength and direction since the winter; and, now that Hitler has left his western flank exposed while he hurls his forces against Soviet Russia, the familiar "sweeps" by the RAF over the northern part of occupied France have become painful stabs. In the Battle of Britain, the ratio of losses by day was always heavily in favour of the defenders; over France in the past week or so, it has been over three to one in favour of

the attackers. Tactically, the Germans have always been inferior. Now, for a time at least, they have surrendered their strategical advantages over the network of French airfields. The superiority of British over German fighters appears to have survived a year of technical and tactical changes, and the *Luftwaffe* is paying an appreciable price for its preoccupation elsewhere when it loses over 120 fighters—against these "sweeps" alone—in seven days. It may be that the enemy is prepared, in the circumstances, to suffer passively; and recent events probably do not mean that a Battle of France is already in train. The bomber core of the large fighter formations that have been flying as far as 60 miles into German-occupied territory is small; and it would need longer-range fighters than the triumphant Spitfires and Hurricanes to advance the day front to Germany. But these notable successes are a hint of greater ones to come; and they give a plain indication of one of the main ways in which valuable indirect aid can be given to Russia. At night the balance of events has been similar. Every night for a fortnight Western Germany has been bombed—though the nights are too short for the intensest raids—while German night raiding has been very slight. Every advantage, night and day, must be wrung from this situation, so that the Germans may realise that they are fighting on two fronts after all.

The Running Sore

It seems that Hitler is relying on the Battle of the Atlantic to pin down and weaken Anglo-American resistance while he battles with Russia. The tonnage of British ships sunk in May was higher than in any other month of

MONTHLY SHIPPING LOSSES
(In gross tons)

	British	British, Allied and Neutral
Average, Sept., 1939–May, 1940 . . .	91,900	182,400
June, 1940	269,783	533,902
July	284,770	400,353
August	282,432	387,471
September	307,427	435,553
October	299,399	423,616
November	299,816	368,806
December	230,307	313,197
January, 1941	205,473	309,731
February	264,523	339,833
March	338,105	505,750
April	338,186	581,251*
May	355,032	461,328

12 Months to May, 1941 3,475,253 5,060,791

Average, June, 1940–May, 1941 289,600 421,700

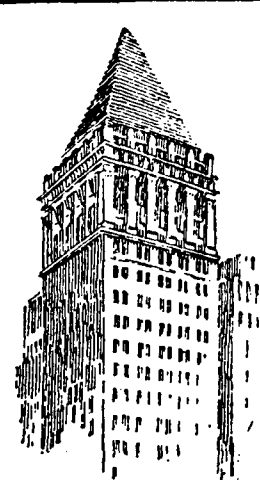
* Losses in Greece (unrevised) 187,054.

the war. The tonnage of British, Allied and neutral ships sunk in March has been raised to 505,750 from the 489,229 tons originally announced; the April figure has been revised from 488,124 to 581,251; and it seems not

improbable that the May total of 461,328 tons may also be lifted, as later news of lost vessels comes in, to the neighbourhood of 500,000 tons—though, in this case, the original announcement was itself delayed. There were heavy losses, of course, off Greece and Crete, but the average monthly loss of nearly 520,000 tons in March, April, and May compares ominously with the already high average of 390,000 tons in the previous nine months; and, if British losses alone are counted, nearly a million tons more have been lost in the last nine months than in all the first year of war. It is just a year since the second Battle of the Atlantic started, after the German occupation of the French ports, and the steady improvement in defensive strength and methods since then has not been able to shake off the attack. The recent statement that over a million tons of repaired shipping were sent to sea in a single week, while reflecting credit on the ship repairers, is a reminder that there are considerable losses which are not sinkings. At present, sinkings alone are twice the replacement capacity of British and American yards together; and forecasts for 1942 estimate British output at 1½ million tons and American at 2 million; a total of 3½ million tons against a loss, at the current rate, of 5 million tons a year. Meanwhile, it is the arrival—or non-arrival!—of ships and cargoes that determines the pace and scale of the war effort. The position is serious; and it should be clear on both sides of the Atlantic that no item in the war against Hitler is more imperative than greater successes in this sea battle.

The Coal Crisis

Three months have passed since the Government drew attention to the imperative need for speeding-up the output of coal. Yet, only a few weeks ago, the Secretary to the Mines Department pointed out that, instead of adding to stocks, the industry's output was insufficient to meet current needs. As the Committee on National Expenditure points out in its sixteenth report of the 1940–41 session, little time remains "before next winter's demands will fall upon the industry." The application of the Essential Work Order to coal-mining will prevent the further depletion of the industry's labour force; no more miners are to be called up; and, in an appeal to the miners to do their part, Mr Bevin for once spoke bluntly. "The Government has played straight with the miners and the mining industry," he said, "and the nation is entitled to a square deal from them." Referring to absenteeism, he pointed out that any man that stays away from his job for any but genuine and unavoidable reasons is "acting criminally against his fellow men, the nation and the Forces." He went so far as to remind miners of military age that, if they do not fulfil their obligations and pull their weight, "reservation cannot be continued." The position is grave. It is now widely admitted that the industry's labour force—some 70,000–80,000 underground and surface workers were called up or took up other work during the past year—is inadequate for the task of producing a surplus of some 20 million tons of coal during the next four months. The problem can only be solved, not simply by an immediate expansion in output, but by rigorous rationing as well. In order to secure additional labour, Mr Bevin has appealed to miners who have



BANKERS TRUST COMPANY

NEW YORK

Complete banking facilities

London Office:
26 OLD BROAD STREET, E.C.2.

Incorporated with limited liability in the U.S.A.

left the industry to report to the nearest employment exchange, where each man will be told whether he is needed most in the mines or where he is. But, although there is a "standstill" order on the calling-up of miners, miners already in the armed forces are not to be released. It is far from sure that the appeal will bring forward the additional 50,000 miners that are said to be needed to secure the desired expansion in output and bring them forward in time. In view of the urgency of the problem, a time limit might be set for the registration of former miners; and if the response is found to be inadequate the application of more drastic measures, including a partial recall of miners from the armed forces, should be considered without delay. The country cannot afford a hold-up in the war effort for lack of coal. Steps are required to prevent or curtail the use of coal for any but vital purposes in industry, transport and homes. Factories not contributing to the war effort can hardly have a claim on the scarce supplies of coal. Passenger train services that are not essential should be eliminated; and the strictest economy of coal, gas and electricity must be observed by both industrial and domestic users. Only by prompt and drastic action can the country counter what is a very serious danger indeed.

War Finance

On Tuesday the Commons gave the Chancellor of the Exchequer a supplementary vote of credit of £1,000 millions, making £2,000 millions so far in this financial year. Some £710 millions of the first vote of credit, voted in February, have been spent. Sir Kingsley Wood stated that expenditure was running at the rate of £12 millions a day, and pointed out that savings, at the rate of £5½ millions a day, were not enough to bridge the "true inflationary gap." The rate of expenditure is nearly a third higher than it was a year ago, but it is still below the average of £13.3 millions for January to March, 1941—admittedly the last quarter of the financial year when expenditure always is higher than in the other quarters—and, although the supplies coming forward under Lease-and-Lend will continue to ease the strain on the Budget, the "gap" will widen rather than narrow. At present, consumption is being held down and inflation held off with fair success by rationing and controls on expenditure. But the menace is latent when purchasing power has grown rapidly at the same time as the supply of goods has shrunk. It was welcome, therefore, that the Chancellor reaffirmed his Budget pledge to secure stability in wages and the cost of living, and it would be still more welcome if the pledge were to grow into a policy—and even into a programme.

The President and Public Opinion

Although the German attack on Russia has driven every other item of foreign news from the American headlines, it should be recorded that the President made use of the *Robin Moor* incident to send a special Message to Congress—the first since the Lease and Lend Act—denouncing Germany's piracy as "outrageous and indefensible." The Message described Germany's action as a warning from the Nazis that the United States "may use the high seas of the world only with German consent," and as an attempt to prevent the United States from carrying out its chosen policy of "helping Britain to survive." To this challenge, the President declared, "we are not yielding, and we do not propose to yield." Yet Mr. Roosevelt did not go on to outline any measures he proposed to take nor did his Message meet the simple objection that, so long as "combat zones" exist into which American vessels are not allowed to go, Germany is in fact dictating which part of the oceans of the world the United States shall use. The whole Message illustrated the difficulties with which the President is having to contend in shepherding the American people to an ever greater awareness of their commitments in this struggle. He cannot propose particular and spectacular methods of meeting the Nazi menace, since these would run the risk of endless discussion and concerted filibustering in the United States Congress. But the unspectacular action he can take within his emergency powers is not likely to stir the interest and enthusiasm of the main body of the American people. This apathy reacts in turn on Congress and increases the strength of its isolationists. It is difficult to forecast what, at this moment, can rouse these Americans. A partially successful invasion of Britain

or the fall of Ireland might do so, but the truth is that they have been spoilt in the matter of sensation. Terror raids on London or Odessa make familiar reading. Apart from its confusing ideological implications, even the German invasion of Russia may not be much more than a 24-hour wonder for many citizens of the United States; and, against this background, it is hardly remarkable that the *Robin Moor* incident has made hardly any impression at all.

Efficiency at the Docks

The Select Committee on National Expenditure has lost no time in probing into the effect of the measures taken to increase the efficiency of handling cargoes at the ports. On the whole, their conclusions are not unfavourable. The appointment of Regional Port Directors by the former Minister of Transport has led to an improvement in that these executives can take prompt and final decisions on practically all matters relating to port traffic. The new labour schemes, too, appear to be working satisfactorily. Their introduction, however, coincided with a temporary decline in the pressure of work. The ports have not been crowded, and the schemes have still to be tested by experience. Owing to the reduction of traffic in one port, the system of a guaranteed weekly minimum wage has involved the Ministry of Transport in a higher total wages bill than would have been payable under the previous system of payment for work rendered. In order to improve the efficiency of labour under the new arrangements, the Committee, in the light of the evidence submitted to it, recommend the extension of piece-rates wherever practicable and closer control over labour. It found that, while the majority of workers are fulfilling their obligations, some of them are "deliberately attempting to evade work so long as they do not thereby imperil their right to receive the weekly minimum wage." The Committee also found that there was room at some of the ports for considerable improvements in the number, location, equipment and general amenities of canteens, in the provision of adequate and sustaining food supplies, and in travelling facilities between the places of work and the canteens. These welfare questions are vital. Finally, the Committee urges the provision of inland sorting depots without further loss of time which would assist in speeding up the dispersal of stocks and render them less vulnerable to air attack. It is to be hoped that the Committee's suggestions will not remain unheeded.

Technique of Price Control

There is at length increasing recognition in this country that price control, as one of the main bulwarks against inflation, is an indispensable instrument of economic policy in a country at war. The decision to introduce maximum prices for fish at every stage of production from sea to shop from June 30th is particularly welcome. There is reason to believe that the completeness of the control may prevent the disappearance of fish from the market. The public has hitherto been understandably irritated by the discovery that goods, whose prices are controlled, tend to become unobtainable on the day when the maximum price comes into force. The disappearance during the past week of gooseberries and tomatoes lends fresh point to a grievance which has been impinging on the public consciousness since the vanishing trick performed by the indispensable onion last autumn. It seems probable that either fruit will be retailed at an exorbitant price, or, when in season, it will disappear from the market rather than be offered at the permitted maximum. It is clear that, so far as this policy is deliberately designed to tempt soft fruit into the jam-making factories, it can attract no criticism on the ground of ineptitude. Whether it is good psychology to pursue a policy which carries a promise of fruit for the public at reasonable prices, but is, in fact, designed to divert fruit from the public, is another matter. If, however, the disappearance from the market of foods whose price is controlled is not deliberate policy, the technique of price control is clearly at fault. Goods will be withdrawn from sale at a maximum price lower than that which would be established by the free play of supply and demand, if there is any possibility of disposing of them elsewhere, or at a later date, for a higher net return. That is to say, they will be sold where the cost of transport will be saved, or

at a date when there is prospect of the maximum price being raised. If the Government, in its anxiety to avoid inflation, wishes to avoid a serious curtailment in the supplies of food available for equitable distribution throughout the country, it must control all prices of competing goods, and also prices, including transport costs, at all stages of production. The basic price, that paid to the producer, must be sufficient to induce him to maintain production at the level desired by the Ministry. The scheme for controlling the price of fish shows an appreciation of the position, for the Ministry of Food is to pay transport costs from specified ports to inland centres of distribution. In the case of tomatoes, an attempt has been made to meet the distribution difficulty by dividing the country into seven areas, and permitting retail prices to vary between 1s. 2d. and 1s. 7d. per lb., but unfortunately the process has not been carried sufficiently far to encourage their sale in London.

Unrationed Foods

The appointment of Mr. F. Aldridge to direct the distribution of unrationed foods must be hailed as a development of great promise. It has for long been recognised that the problems of distributing unrationed foods are much more complex than those involved in straightforward rationing. This is true both from the fiscal standpoint, where the choice appears to lie between an uncontrolled rise in the prices of unrationed goods and control of their prices with consequent scarcity, and from the standpoint of nutrition and equity, where the principle of "first come, first served" favours the rich and the leisured at the expense of the needy and the hardworking. Mr. Aldridge's task appears to fall into two parts. Where he considers it necessary and practicable, he may order a commodity to be rationed, and there is little doubt that such an order should be applied in every case where rationing is possible. The crucial difficulty, of course, arises in cases where normal rationing cannot be applied; when supplies are completely inadequate for a minimum per caput distribution, or where the commodity is only very selectively consumed, as in the case of tobacco or vinegar. Here it must be presumed that the principle of group rationing—the global quota—of which the sweet spread ration is the prototype in this country, will be extended. A weekly ration of semolina for every British citizen is perhaps an impracticable ambition, but a weekly ration of cereals grouped together provides a method of tackling the exasperating shortages of sago, seed pearl tapioca, ground rice and the like, with simplicity and fairness.

Damascus and After

After a sharp engagement, the Vichy forces withdrew from Damascus on June 21st and the town was occupied by British, Indian and Free French forces. Resistance is, however, by no means at an end. Although Merz Ayoun has been retaken, the progress up the coast road to Beirut is slow; beyond Damascus, the Vichy forces are consolidating new defensive positions. It may be possible to half-encircle these by an attack from the Iraqi frontier, and it is encouraging news that British columns have surrounded Palmyra on the Mosul-Tripoli pipe line. The stiffest fighting may, however, be expected on a line from Beirut northwards to Aleppo and unless the Allies are able to reinforce their troops, the progress of the campaign so far suggests that the advance may remain too slow. The Syrians themselves appear to be causing no immediate difficulties. The merchants of Tyre and Sidon have already visited Haifa to purchase food and oil and the life of the peasants has been barely disturbed. The Allies had a friendly reception in Damascus, but the question of Syrian independence was raised at once. It is to be hoped that, even while the fighting is still in progress, thought will be given to the problem of an ultimate settlement of the Arab question in the Levant. Otherwise, decisions may be taken now which will prejudice the final solution. Allied with Egypt, Iraq and Turkey, in occupation of Palestine and Syria and in friendly contact with Saudi Arabia, Britain has a unique opportunity—and a unique responsibility.

Negotiations at Djibouti

With the fall of Assab last week and the surrender of some 8,000 Italian troops at Jimma, the final stages of the campaign in Italian East Africa have probably been

reached. It was possibly with the approaching end of hostilities in view that General Wavell decided to regularise the position of French Somaliland by calling on the Governor at Djibouti to declare for the Free French or at least to denounce the pro-Axis policy of Vichy. If the Governor refused, General Wavell was prepared to evacuate women and children from Djibouti and to feed them until evacuation was complete. The question is still under discussion between the British and French authorities, but Vichy is understood to have lodged a protest.

Strengthening Regionalism

In the recent debate on civil defence, the Government turned down the suggestion that the administration of civil defence should be in the control of the regional staffs, working through the local authorities, instead of the present system by which the functions of the Regional Commissioner are mainly restricted to co-ordination and advice. Yet, step by step, regionalism is gaining ground. The Minister of Health admitted, during the debate, that the new fire fighting duties of the Regional Commissioners might necessitate a strengthening of the regional machinery by the appointment of an additional deputy, and last week-end it was announced by Mr. Morrison that, in most regions, the Commissioner will henceforward have a second Deputy-Commissioner. Although the latter's duties may vary according to the circumstances of the region, Mr. Morrison suggested that one of the two deputies should be concerned primarily with fire fighting and the other with the preparation of post-raid measures, that is, reorganisation and reconstruction—roughly, in fact, what Mr. Willink and Sir Warren Fisher have been doing in London since last September. This appointment of additional Deputy-Commissioners does not mean that additional powers are given to the regional staffs over local authorities. Although the Minister of Home Security can delegate to a Regional Commissioner his powers of superseding local authorities in civil defence matters, no such powers have yet been delegated. But, as Mr. Willink pointed out in the debate, a regional officer can do much by setting standards and gingering up the local authorities which fall below it; and if the new deputies are as successful as he has been with the Metropolitan boroughs, their appointment promises a great improvement in provincial civil defence. The other Deputy-Commissioners, who, if Mr. Morrison's suggestion is adopted, will be in charge of fire fighting, will have an equally arduous task. It is interesting to note that the Home Secretary included fire bomb fighters within the co-ordination duties proposed for them, and it is quite certain that though the fire watchers must remain as local forces, there is great need that here, too, a standard should be set. At present little is done to see that each fire watching party is disciplined and efficient.

Ranks and Rates

The incorporation of the ATS into the Army has been made the spearhead of a campaign for the women recruits who are so desperately needed. The rank and file will still be ordered and looked after by their own officers, whose titles have been rather unnecessarily changed (though not, as was expected, to those of the corresponding Army ranks) to mark their receipt of the King's Commission; but it should now be possible for the commanders

THE BRITISH LINEN BANK

Incorporated by Royal Charter, 1746

Head Office: 38 St. Andrew Square, Edinburgh

OVER 210 BRANCHES IN SCOTLAND

LONDON OFFICES:

City Office: 38 Threadneedle Street, E.C.2

West End Branch: 198 Piccadilly, W.1

of the units with which they are working to direct their operations, without having clumsy recourse to a separate female authority. In part, the new appeal is disingenuous. Much is made of the higher rates of pay, when in fact the basic rates for all ranks remain unchanged—and low. The innovation is special pay for special work, opportunities for which will multiply as the women auxiliaries take over men's jobs; and, presumably, skilled women in specialised work, such as transport and mechanical jobs, will now have the chance of receiving, as well as earning, the proficiency increments which, for no clear reason, have hitherto been denied them. There is no more important national work than to eke out the Army's man-power, at a time when the war factories can ill-afford to spare workers, or potential workers, for fighting; and the position in many branches of the ATS is that every woman recruited now automatically releases a man for more combatant duties. It is perhaps not easy to find recruits for a Service that is as under-paid and over-worked as it is valuable, especially when women in work have official sanction for their disinclination to move. But these changes may be the start of a new phase in which the ATS will be more effectively directed and in which "the rate for the job" may come to have some meaning as women replace men.

* * *

Young Delinquents

One of the harsh necessities of total war is that not even children can escape it. Evacuation, the temporary breakdown of education, the absence of parents, air raids—all these, and many other, circumstances have had a direct effect on child life. It is hardly surprising, therefore, that there has been an alarming increase in the number of children found guilty of indictable offences. The number of offenders under 14 increased by 41 per cent in the first year of the war, compared with the previous twelve months, while the increase in the 14-17 age group was about 22 per cent. These percentage increases are particularly serious because the number of young offenders was already large enough before the war. In 1938, of the 78,463 persons found guilty of indictable offences, over half were under 21 years of age—36 per cent being under 17. Since it is the under 14s who show the biggest rise since the war, it is presumably the breakdown in education which is largely responsible. As a circular from the Home Office and Board of Education points out, full-time education has now been restored in most areas, but school attendance is less satisfactory, and local education authorities are urged to take all possible measures to get the children to school. They are also urged to extend the provision of social and recreative facilities. But what is most in need of reform is the treatment of child offenders when they come before the courts. What is happening is that children are being sent to prison because there are not enough remand homes or approved schools to cope with the great increase in cases. Yet official recognition that prison is the surest way to make a young delinquent into an old offender was shown by the Criminal Justice Bill, which provided that a magistrate could not send anyone under 21 to prison, without first weighing all the circumstances and then stating the cause on the warrant, and proposed the establishment of attendance centres and residential houses. The Bill was killed by the war, but there is no reason why its spirit should not persist, and the Home Office circular does, in fact, point to the need for younger men and women to sit as justices in juvenile courts and reminds justices that corporal punishment is neither suitable nor effective for young offenders. Local authorities were also urged some months ago to increase their remand home accommodation by 50 per cent. Speedy and effective measures must be taken if the work of generations of reformers is not to be undone before the war is over.

* * *

Air Raid Casualties

Although the destruction of property by raiding aircraft appears to have been heavier, month by month, this spring than last autumn, it is a significant fact that the published figures of casualties have been less. The monthly averages were: for September, 1940, 17,569; for the ensuing three months, 11,552; and for the similar period, March to May, 1941, 10,873. It is further to be noted that, while in September 152.6 people were injured—that is admitted to and detained in hospital—for every 100 killed, the figure fell to 135.5 in the next three months, was

only 107.5 for March to May, and for May alone was 96.5. Without much more detail than is available, it is impossible to say with certainty just what these figures mean. There has been no change either in the basis of compilation or in the practice of hospitals with regard to the admission of injured—unless it be to admit rather more easily than in the autumn, when the extent of demands was less clearly foreseen. It may be that in fewer but heavier raids a greater number of people are killed—rather than that fewer, proportionately, are being injured. Or—and it would be a more satisfactory explanation—the change may be due either to better shelters, to better use of shelter or to a different distribution of population. In the absence of adequate information, it seems reasonable to suppose that there are still too many large concentrations of people, but that, for the rest, dispersal is making progress, while, to some extent shelters have been improved. The figures, both of fatal casualties and of wounded—and some of the latter are very minor cases—are still heavy, and suggest that more could and should be done to expedite dispersal and, where that is impracticable, to provide better shelter.

* * *

Taxation—Contracting Out

The debate on the new clauses of the Finance Bill, designed to limit freedom from income-tax, revealed a considerable opposition to the clauses as they stand, on the ground that they do not go far enough. It also showed that the desire of the opposition was to prevent anyone from escaping full liability to tax, whereas the object of the Chancellor was at least as much to relieve those who were subjected to an unduly heavy burden, owing to the fact that a tax free payment ranked in front of their claims. A very large part of the debate was devoted to arguments as to whether contracts, arranging for tax-free payments, should not be forbidden as against the public interest. It seems improbable that this claim will meet with any great measure of success, for there will always be minors, the aged, and a number of other people for whom it will be desirable to provide a fixed income for a period of years. For this purpose, the tax-free provision is very convenient, and normally harmless. Tax-free payments to employees, and in particular to directors, are in a different class, and it might well be desirable to place severe limits on the practice, since it tends to breed irresponsibility. At the same time, it is not certain that, over any extended period of time, tax-free wages and salaries result in a larger receipt by the employee than the more usual practice, since he may well be prepared to pay an unduly heavy premium for an assumed certainty of suffering no diminution in cash income. The making of tax-free payments to directors is open to abuse, but it is a relatively rare practice compared with some other means of securing additional emoluments. The cure in this particular case certainly lies in amendments to the Company Acts, so as to make obligatory the publication of total receipts of all the members of a board, a matter in which shareholders might well be more active.

* * *

Shorter Notes

Lord Rushcliffe is to retire from the chairmanship of the Assistance Board at the beginning of next month. It was an unusual opportunity for the Minister responsible for the passing of a measure to become responsible for its administration. Lord Rushcliffe has had the additional satisfaction of seeing the Board grow, during his chairmanship, from its beginning as the dispenser of unemployment assistance to its present position as the source of assistance, not only to the unemployed, but to needy pensioners and homeless air-raid victims as well—and the possible nucleus of a Department of Social Security, consolidating and unifying the present scattered and discrepant provision for the poor and unfortunate.

*

From July 1 a system of mailcerts will be introduced to complement the navicert system. It will apply to the United States and will enable senders of parcels from that country to certain neutral countries to ascertain before posting whether facilities can be given for their passage through the British examination stations.

THE WORLD OVERSEAS

The Finances of Vichy France

(By a Correspondent)

THE financial position of Vichy France is illustrated by the failure of the Government to produce a yearly budget or even a rough estimate of its yearly expenditure and revenue. The regime is living from hand to mouth, and all that its Finance Minister has so far been able to do has been to plan expenditure for periods not longer than three months ahead. His quarterly budgets, the first published in January and the second in April this year, consisted of two parts, one giving the figures of ordinary expenditure and the other comprising *les dépenses extraordinaires* to meet the cost of "war liquidation" and of public works designed to lessen unemployment.

Below are given the main items of the two budgets:—

	Jan.—Mar., 1941	April—June, 1941
ORDINARY BUDGET (in millions of francs)		
Public Debt	5,117	4,018
Floating Debt	3,624	3,524
Personnel	5,641	5,726
Materials	3,377	2,947
Public Works	2,012	1,607
Social Services	3,495	3,934
Various	1,145	969
Total	24,411	22,725
EXTRAORDINARY BUDGET:—		
Liquidation of War	12,116	7,790
Public Works and Measures to fight unemployment ...	3,175	2,242
Total	15,291	10,432

Thus the total expenditure amounted to nearly 40 milliard francs for the first and 33 milliards for the second quarter of 1941. The decrease in expenditure was brought about by drastic cuts in the extraordinary budget (liquidation of war and measures against unemployment) and by a reduction in the public debt services. Since the total expenditure for the first half-year is thus about 73 milliards, it is reasonable to expect the budget for the year to be about 140 milliards.

These figures do not include the sums paid out to meet the cost of the German occupation. This contribution (calculated on the combined basis of 400 millions a day up to May and 300 millions for the rest of the year) entails the additional burden of about 125 milliards. Thus State expenditure, plus occupation costs, amount to about 265 milliards, a sum not far below France's War Budget for 1940. Costly as modern warfare may be, the cost of modern slavery to the enslaved proves to be no cheaper even if it is expressed in financial terms alone.

What is the revenue on which Vichy counts? Taxation can yield an insignificant part only; customs duty revenue has fallen off almost entirely. Owing to the general uncertainty of the situation, long or medium term loans are out of the question. There remain only two ways of providing money, both of which have been amply used by the Vichy Government—Treasury bills and advances from the Banque de France.

Since June, 1940, the usual publication of weekly banking returns has been suspended, and not even the yearly balance-sheet for 1940 has been brought to public knowledge. The report of the shareholders' annual meeting (held in March, 1941) is, therefore, the only available source of information concerning the bank's activities.

The advances made to the State come under two separate accounts: advances to meet State expenditure proper; and advances for the payment of occupation costs. Operations in the first category have been based on the pre-war agreement between the Bank and the Treasury.

Their limit had been raised repeatedly during the war until it reached 70 milliards on June 8, 1940. The Armistice was followed by a credit panic, entailing massive withdrawals of bank deposits and a run on the savings banks; subscriptions to Treasury bills ceased almost completely; and for several weeks the Treasury had to rely on Bank advances exclusively. In September, the 70 milliard mark was reached and thus the total of available credits was exhausted. There was, however, no need for further advances, since the banking tension eased during subsequent weeks and Treasury bill subscriptions could be resumed. Towards the end of the year the Government was able to make considerable repayments to the Bank, bringing the figure of advances down to 60 milliards. (These figures include neither the transfer to the State of about 22 milliards gained by the revaluation of the Bank's gold reserve in February, 1940, nor the 30 milliards of gold handed over to the Government against bonds.)

The advances to meet the cost of occupation form a separate account, based on a special agreement concluded on August 25, 1940. The original provisions had fixed their maximum at 50 milliards. On October 29th, the limit was raised to 65 milliards; on December 12th to 73 milliards; on December 31st to 85 milliards; and on March 22, 1941, to 100 milliards.

The Bank's private business is indicated by the following figures: by the time of the Armistice the bill portfolio was between 4 and 5.7 milliards, while during the panic of June-July it went up to 19 milliards. The unusual expansion of facilities by the Bank prevented the credit system from breaking down completely. The subsequent stagnation in business was reflected in a contraction of the bill portfolio to about 3 milliards towards the end of 1940.

The gold reserve of the Bank is given as amounting to 84 milliards, a figure which has not been changed since the revaluation of the gold reserve in February, 1940. Nothing, however, has been officially said as to whether the Bank is really able to dispose freely of its reserve. It now amounts to 30 per cent of the Bank's total liabilities of 288 milliards, against 60 per cent prior to the war. This, however, is of no practical importance for the time being, since no foreign payments in gold have to be effected.

Currency Inflation

The total of bank notes in circulation was 160 milliards by the time of the Armistice, against 123 milliards in May, 1939, and it went up to 218 milliards in December, 1940. No new data are available, but the assumption of a further increase in the circulation of 30-45 milliards seems to be quite conservative. There is no doubt that the doubling of the currency within two years, without business expansion at a corresponding rate, rather in fact with declining business activity, is bound to produce sharp inflationary results. A repetition of the "Schacht miracle," with its rigid and effective control over prices and wages, is most unlikely to take place in a defeated and conquered country. In this sphere—as in many others—the Pétain regime is prevented from a successful imitation of German models by its internal political impotence.

It is true that up to the present the inflation has not become rapid. Paradoxical though it may appear, the position still presents some temporary advantages for the Government. Money, for instance, has become very cheap in Vichy France. The rate of interest on Treasury bills was reduced in January and April, 1941, each time by $\frac{1}{2}$ per cent. The official rate of discount of the Banque de France was lowered from 2 to $1\frac{1}{2}$ per cent in March.

The reasons for this unusual cheapness of money are plain enough. The francs "created" by the Bank to pay the occupation costs are being spent by the Germans on

June 28, 1941

French territory in payment for commodities and requisitioned goods. As there are only very few opportunities for making investments or buying stocks left to the French public, a plethora of money has appeared. Bank deposits and savings are on the increase, and subscriptions to Treasury bills come in smoothly. Cheap money, however, is here not a sign of prosperity but a by-product of growing financial difficulties.

Social Policy in Eire

[FROM OUR DUBLIN CORRESPONDENT]

June 16th

THE social policy of the Government in wartime has formed the subject of an interesting address by the Minister for Supplies. The fundamental basis of that policy is the fixation of a lowest level of means, below which nobody will be allowed to fall, by adapting the provisions of the social services to meet the situation created by difficulties of supply and rising prices. The most important methods of carrying this policy into effect are the increase of benefits provided in schemes of public assistance, the rationing of commodities in short supply, the strict control of prices of essential goods to eliminate avoidable price increases, and the restriction of increases of incomes by income tax and by the pegging down of profits, salaries and wage rates. Rationing will be confined to industrial raw materials and to commodities in general consumption which are, or may become, in short supply.

The Minister explained the distinction between avoidable and unavoidable increases of price. The price of many imported goods has risen because of increased costs of production and transport, and their prices were bound to rise unless they were kept down by a subsidy. The price of the majority of home-produced foodstuffs is practically the same as last year. No change has occurred in the prices of bread, milk and sugar; the prices of oatmeal and lard have been reduced; but the prices of butter, margarine and jam have slightly increased. The articles about which the public complains most are meat and vegetables; in these cases retail trading margins are strictly controlled. Profiteering is kept down to the lowest possible level by the system of price control, and it is the Government's intention to extend the maximum price order to the widest number of commodities in which control is practicable. A necessary corollary of this price policy is the stabilisation of wages, which the Minister defended on the ground that it is better to keep up the volume of employment than to permit wage increases to a favoured minority of sheltered workers.

Work for the Workless

During the debate on the estimate for unemployment relief schemes, the Government spokesman explained some of the difficulties experienced in finding suitable schemes for each locality. The available works in the congested districts in the west were rapidly being exhausted, and it was becoming necessary to transfer men very considerable distances to work. In practice, it had been found that, unless the authorities were prepared to go in for large schemes of temporary transport and erect huts for workers, they were confined to works within a comparatively small radius. While people would temporarily migrate from the west to Scotland, where they could earn large amounts of money in a short space of time, they were not willing to migrate to different districts in their own country, where there had not been the same inducement of high piece-work rates. Now, however, the authorities were in a position to offer piece-work rates even higher than had been earned in Scotland. At the present time, they had on the bogs the biggest unsatisfied demand for rural workers ever known in the history of the country. The turf schemes were being held up by lack of labour. Owing to the difficulties of transport and housing, it had become necessary to put the Construction Corps to work on the bogs. This would help in the provision of fuel, but would do nothing to give employment in the areas where it was most wanted. These should be sobering reflections for those who advocate schemes of public works as the remedy for unemployment.

The Government has dropped certain proposals in the Budget in view of the storm of opposition which they aroused in business circles. The proposed extension of the corporation profits tax was criticised on the ground that it would cripple some of the newer industries which had come into existence as the result of the Government's own industrial policy. It certainly appears inconsistent to nurse indus-

tries into being behind the shelter of strict protection and later to tax them so onerously. The increase in corporation profits tax has now been postponed and the exemption limit raised from £1,000 to £2,500. Other taxes that have been dropped on further consideration are the proposed duties on cider and Irish newspapers. These changes will necessitate borrowing an additional sum of £634,000. The Minister for Finance professed himself unable to consider any substantial reduction of expenditure on the ground that such reduction would inevitably add to the growing volume of unemployment.

Argentina's Trade with the United States

[FROM OUR BUENOS AIRES CORRESPONDENT]

May 17th

THE importance to Argentina of a reciprocal trade treaty with the United States was emphasised a few days ago by the Argentine Foreign Minister, when a simultaneous announcement was made in Washington and Buenos Aires that the trade talks between the two countries, suspended in January, 1940, were to be resumed.

Argentina's import surplus with the United States is not a new feature in the trade between the two countries. From the past fifteen years' mutual trading, an aggregate import surplus of 1,753,000 paper pesos has resulted. But since the loss of its markets in German-occupied Europe, this country has failed to find any alternative outlet in the Western Hemisphere, while war conditions have led it to increase its manufactured imports from the U.S.A. The restriction of these imports had to be faced as a matter of monetary policy.

Since the abandonment of the 1939-40 trade talks, evidence of a real desire on the part of both Governments to foster Argentine-United States trade has not been wanting. Dr Raul Prebisch, manager of the Argentine Central Bank, arranged in Washington for loans from the United States to Argentina totalling U.S.\$110 millions, and Dr Federico Pinedo, former Argentine Finance Minister, is now in the United States in connection with the resumed negotiations, although he is not in an official capacity. Meanwhile, the formation here of an "Export-Import Exchange Corporation" (*Corporación de Promoción del Intercambio*) has just been announced. The 1940 annual report of the Argentine Central Bank pointed out that the United States loan of \$110 millions was a temporary measure to permit Argentine foreign trade to adapt itself to the reorientation caused by increased purchases from the United States and the loss of former export markets (principally Belgium, Holland and Italy), which took between them 155 million paper pesos of Argentine goods between January and May, 1940. It then stated that Argentina was in a position to supply to the United States products formerly obtained by the latter from Europe, and that such exports could be stimulated by the establishment of special bodies here which would include representatives of foreign exporters interested in this market. The newly-formed "Export-Import Exchange Corporation" is obviously an outcome of this policy. Established under the sponsorship of the Central Bank, it includes local representatives of United States commerce and banking, and its function will be to promote exports of dairy produce, wines, dried fruits, etc., for which there has formerly been no regular export market, as a means of creating additional foreign exchange for imports at present restricted (which include American motor cars).

Arms from America

The desire of American exporters to avail themselves of a ready market until now restricted by exchange control regulations will no doubt be a lever for Argentina in the forthcoming talks. The Argentine Government has just passed a Bill providing for the expenditure of 647 million paper pesos on armaments as part of a defence programme calculated to involve 1,000 million paper pesos, and it is expected that the orders for much of the material required under this programme, including a substantial addition to the country's military air force, will find their way to the United States.

On the other hand, the acceleration of the American defence programme has greatly diminished one of the main obstacles to the fruitful conclusion of the 1939-40 trade negotiations—the insistence of the United States on restricted quotas for imports of canned meat and linseed

June 28, 1941

from Argentina. The victualling of U.S. Army and Navy garrisons, particularly in the West Indies, has already led to increased purchases of Latin American foodstuffs by the U.S. Government, and America's raw materials reserve scheme is expected to call for imports of linseed and linseed oil to reinforce her domestic supplies.

The following table compares Argentina's trade with the United States during the first quarters of 1940 and 1941:—

	(In paper pesos)	
	Imports From U.S.A.	Exports To U.S.A.
January-March, 1940	81,437,751	81,895,972
January-March, 1941	38,114,910	119,097,742

During the last few weeks there has been a marked increase in the amount of dollar funds reaching this country. Refugee capital from the United States has been finding its way to this market on an increasing scale for some time, and the recent intensification of this movement is attributed to expectations that the United States will shortly enter the war, and that dollar resources in foreign hands will be blocked. This influx of capital is officially stated to have made possible the latest relaxation of exchange control permits in favour of imports from the United States, which was announced yesterday.

Egyptian Reactions to the Nazi Push

[FROM OUR ALEXANDRIA CORRESPONDENT]

April 30th

THE opening of the Axis spring offensive in the Mediterranean has affected Egyptian economy to a far smaller extent than Italy's entry into the war last summer. The present turn for the worse has not required anything like last year's adaptation. With the practical liquidation of Italian East Africa, Egypt no longer feels herself pressed in on two sides; furthermore, Italian might has been shown in its true light, while the British have proved their ability not only to defend but also to strike. The business world was not the last to realise this, and it accounts for the quiet confidence that recently prevailed within its ranks, even when local political circles were not free from anxiety.

Egypt's sea communications will not suffer much from the reoccupation of Cyrenaica by the enemy and from his establishment along the Greek coastline, nor from the rise in Mediterranean war risk premiums. Since Italy's alignment with Germany, Allied navigation in the Mediterranean had greatly decreased. Subsequently, as Anglo-Greek and Anglo-Turkish ties became closer, the traffic between Egyptian and Aegean ports expanded; but the trade, consisting chiefly of shipments of Egyptian wheat and rice and of Far Eastern produce shipped through the Suez Canal, represented but a small fraction of Egypt's total exports. Of far greater importance is the opening of the Red Sea to American shipping. It is not so much imports that will be facilitated—much of the new tonnage will be earmarked for war material—as exports. Much of the outgoing freight will be made available to local shippers and will help to solve Egypt's major export problem.

The chief reason of the present economic stability is the Anglo-Egyptian cotton deal, which has already put into the hands of the British Government over 70 per cent of the crop. There has, therefore, been no breakdown of the Cotton Futures Exchange as there was on the eve of the French collapse, and the stock market has thus been saved from outside pressure. On the morrow of the Easter recess, during which the German forces had crossed from Benghazi to the Egyptian border and had also entered Salonika, the Stock Exchange opened only moderately lower, and almost immediately after staged a brisk two-day rally to levels well above the previous week's close. Since then, a distinctly easier tone has prevailed, but even after the fall of Athens activity was not lacking. As to local and imported goods, prices fluctuated narrowly, and the volume of transactions remains about normal. On the eve of an intensified Axis drive towards the Suez Canal, the Egyptian economy continues to work smoothly, and rationing—on a liberal scale—is still confined to petroleum.

Sudan's Satisfactory Finances

[FROM OUR ALEXANDRIA CORRESPONDENT]

April 10th

DESPITE the temporary extension of the fighting front to Sudan territory, the 1940-41 financial year was good. Instead of the expected deficit of £E297,100, the final result is expected to be a surplus of £E29,461. In the 1941-42 Budget, revenue is estimated at £E4,066,172 and expenditure at £E4,639,184, against £E4,622,363 and £E4,592,002 respectively in the previous year. The deficit is to be met out of liquid reserves. Among the outstanding features of the new Budget are the final withdrawal of the Egyptian Government subvention, and the extension by the British Government of financial assistance towards meeting the cost of the greatly expanded Sudan Defence Force. The agreement with the British Government to stabilise the Sudan Government's military expenditure provides that the Sudan Government shall pay an annual contribution, fixed at the level of the 1939 estimates, of £E479,080. If, however, financial results prove more favourable than was foreseen at the time of the negotiations, the question of adding 25 per cent or some smaller percentage to the figure will be considered.

Rains have been poor on the whole, and it is unlikely that the total production of maize, the country's staple food crop, will reach the results of recent years when export surpluses were available. As regards cotton, an average crop of 1,096,700 cantars of 99 lb. is expected, against 1,129,351 last year. The acreage under cotton in the Kassala province temporarily occupied by the Italians is 22,158 acres, against 24,400 acres last year.

Foreign trade was affected by the scarcity of shipping and by insurance costs.

	1939 £E000	1940 £E000
Imports	3,777	3,696
Exports	5,368	5,204
Of which cotton	3,400	2,690

The falling off in the volume of cotton exports was greater than suggested by these values owing to the rise in price of about 30 per cent. About one-third of the crop has been carried forward into the new season, but the native growers received payment for their entire production.

Trade with Egypt expanded considerably, and, as happened in the Italo-Ethiopian war, the Sudan will also be able to supply the former Italian East African possessions with a certain amount of foodstuffs.

Portuguese Trade in 1940

[FROM OUR LISBON CORRESPONDENT]

June 18th

GERMAN propaganda for Portugal—Press, wireless and personal—has for long stressed the damage done by Britain to local and colonial trade, thereby causing unemployment and distress. That this was untrue could be gathered by general observation, but, in the absence of statistics, propaganda of this kind could only be met with general assertions. Recently, however, the National Institute of Statistics issued trade figures for 1940. Tabulated below, they speak for themselves, and, in order to forestall any complaint about exaggeration due to higher values, it is pointed out that while prices of imports and exports alike were higher in 1940, there was also much greater production and consumption. The standard of living in Portugal has risen steadily of late and is still rising. This has consequently reacted on local industry, which has expanded in many directions since the war, owing to the fresh initiative supplied by refugee capital and technicians. These are now turning out articles the importation of which has become erratic and costly.

In thousands of contos (units of £10,000)

	Imports	Exports	Total
1939	2,484	1,742	4,226
1940	3,498	2,553	6,051

The totals for the years 1936, 1937 and 1938 were 3,774, 4,617 and 4,279 respectively.

THE BUSINESS WORLD

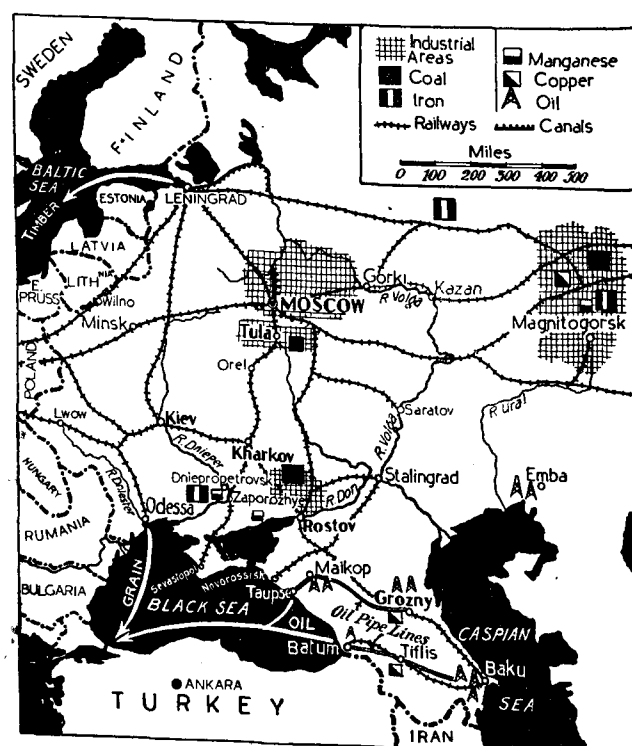
Russian Resources

THE war between Germany and Russia has only begun. No balance sheet of gain and loss can be drawn up, but it is possible to inquire what economic considerations are involved. The wheat fields of the Ukraine and the oil wells of the Caucasus have been made the symbols of the apparently inexhaustible economic resources of the Soviet Union. Public opinion readily believes that a military conquest of these parts of the Soviet Union would enable Germany to carry off vast surpluses of agricultural and oil products. Yet the German occupation in 1918 yielded only miserably small quantities of wheat and sugar; there was no grain to spare. The Germans learnt then that a country disorganised by war cannot produce surpluses; and to-day the problem is not markedly different. Russia has not yet been ravaged by fighting this time; but the Ukraine, and any other part of the Soviet Union within reach of a conqueror, is of use only if agricultural and industrial production could be continued on the level that has been reached during recent years. There is no doubt that the actual output figures of Soviet Russia are impressive. But at present there are hardly any surpluses over bare consumption; during recent years Russia's total exports amounted variously to only two or three per cent. of total output. In the long run, under German use and exploitation, the position would be very different; but the long run is a matter of years.

When Germany made the first trade agreement with Russia in August, 1939, the parties subsequently agreed to increase their dwindling mutual trade to its former record level, which would have amounted to some 10 per cent. of Germany's total pre-war imports. Then a separate agreement was reached providing for the export of one million tons of feeding stuffs, mainly grain, to Germany. Further agreements concluded in February, 1940, and January, 1941, increased annual deliveries of grain and other feeding stuffs to 2.5 million tons. Germany was to supply Russia with manufactured goods, mainly machinery, and industrial equipment for the oil and synthetic industries; and there were agreements for the transit of goods from the Far and Near East to Germany. Liberal estimates suggest that, during 1939 and 1940, German imports of grain from Russia were 1.5 to 2 million tons, of oilseeds 500,000 tons, of cotton 100,000 tons, and of oil 900,000 tons. Substantial transactions in hides and skins, manganese ore, and other minerals were also reported. After the collapse of France, Russia concluded a number of trade agreements with German occupied or controlled countries, Roumania, Hungary, Norway, and Denmark, stipulating the supply of raw materials, which would benefit Germany's war economy. All this trade with Germany and German Europe ceased with the invasion, and the attack means, at least for the duration of the campaign and perhaps during an appreciable period of reconstruction afterwards, a substantial loss of valuable supplies of raw materials; and the leak in the British blockade is stopped.

The Soviet Union covers a territory far bigger than the United States of America and Canada put together. According to the 1939 census, the population numbered 170 millions. From 1927 to 1939 the population living in towns increased from 26.3 to 55.5 millions, or from 17.9 per cent of the total population to 32.4. These figures indicate the speed of industrialisation. The Soviet Ukraine covers only 2 per cent of the entire territory, but its population, numbering 31 millions, amounts to 18.2 per cent of the total population. The percentage of people living in towns considerably exceeds the average, reflecting that the Ukraine is the most important industrial centre of the Soviet Union. The area under agricultural cultivation amounts to only 17.8 per cent of the total agricultural area of the Soviet Union. The Ukraine is not a "granary." In fact, the "granary" of the Soviet Union has moved more and more to the east ever since large-scale industrialisation began in the Ukraine.

Agriculture in the Soviet Union depends to a very high extent on petrol. In 1939 there were 500,000 tractors, 165,000 combines, and 211,000 heavy farm lorries in use; and mechanisation has reached a point where lack of petrol would be fatal. Hitler could not take both oil and grain. The total harvest of cereals in Soviet Russia in 1937 was 108.3 million metric tons; in 1938, 85.5 millions; in 1939, 106.5 millions; and in 1940, 112.0 millions. These figures were achieved by improved cultivation methods, as well as by extending the area under cultivation. Industrial crops, especially cotton, increased similarly. For several years collectivisation of the peasants almost ruined the livestock industry. Then the government restored the livestock industry to the individual peasant, and the numbers of livestock began to go up at once. During 1940, the cattle population increased by 12 per cent to a total of 67 millions; the number of pigs increased by 9 per cent to more than 32 million, and the number of sheep and goats rose by 23 per cent to 123 millions. But, compared with these



figures, exports of cereals, dairy products, and meat were very small; bread cards were abolished in 1936.

In Central Asiatic Russia, extensive schemes of irrigation are being carried out, and the great variety of climatic zones is favourable to almost every kind of vegetable and fruit. Large-scale experiments are being made with the cultivation of a rubber plant, which may make Russia independent of imports; and the industrial production of synthetic rubber is well advanced. But—and this is the point—the average yield of Russia's agriculture is still below the standard of Central and Western Europe. The implication is still the same; in the short run the Germans have little to gain, because there are no considerable surpluses, and in the very short run, they have something appreciable to lose, because of the dislocation and destruction of war-making. In the long run Russia might be made the economic foundation of Nazi power; but not before next battles in the West have been decided. Further industrialisation could double the total agricultural production—but not in the twinkling even of a German eye.

The feature of Russia's industries is the development of new industrial centres far removed from the western

borders, and Germany's immediate reach. The old-established centres are around Leningrad and Moscow, and in the Ukraine. The most important new centre is in Central Asia, the Kusnetz Basin, which is linked up (over a long distance) with the industrial centre in the Urals, which has become known by the iron ore deposits in Magnitogorsk. This move to the east is important. Some of the intended regional changes in the coal industry are shown in the following table:—

Region	Actual 1938 Output in % of Total Output	Intended 1942 Output according to 3rd Five-Year Plan in % Total Output Planned	
Donbas (Ukraine).....	60.3	48.7	
Moscow	6.1	15.0	
Ural	6.4	11.0	
Far East	3.7	3.9	
Central Asia	0.7	2.0	
Caucasus	0.3	0.9	

In 1913 the Ukraine produced 87.2 per cent. of the total output of coal.

The same shift of industry to eastern centres is seen in the production of iron and steel. Again, the shift is away from the Ukraine to the new centres in Asia. Before the last war the Ukraine produced nearly all the output of iron and steel. The Five Year Plan provides for developments which would leave the Ukraine in 1942 with only 53 per cent of the total output. Actual output of steel increased from 4.2 million tons in 1913 to 17.6 million tons in 1937 and 21.5 million tons in 1940; and output for 1942 is planned at 27.5 million tons. In coal, and iron and steel Russia is self-sufficient; and manganese ore is produced for export in large quantities, the most important sources being in the Ukraine and in the Caucasus at Nikopol and Tshiatury, within German reach.

Russia's consumption of non-ferrous metals (discussed in a Note on page 861) is larger than home production. The latest estimates show the following percentages of home production to total consumption: aluminium, 87 per cent; copper, 58 per cent; zinc, 99 per cent; lead, 77 per cent; and nickel, 20 per cent. There was no home production of tin. The aluminium industry is mainly situated in the Ukraine, based upon the electric power of the plant at Dnepropetrovsk.

Russia is the second largest producer of oil in the world. The oil industry is still centred at Baku in the Caucasus, where much the greater part of the total output is produced (the details are given in a Note on page 861). Besides smaller producing centres in Central Asia and the Far East a second "Baku" is in building between the rivers Volga and Ural, with the centre at Perm; and

total output is now over 30 million tons a year. But Russian exports have steadily fallen from some 5.5 million tons in 1931 to under one million tons. That the oil supply situation has been made difficult because of a slow increase in output, side by side with a rapid rise in consumption, is shown by the fact that last year oil was rationed. The surplus is very small, and without this oil Russian agriculture and industry cannot be developed. In the long run there are oil resources amounting to half the world's to be exploited; but in the short run (for the reasons stated in the Note) Germany can have small hope of great oil gains by conquest—not even of the high-grade Baku petrol which is needed by the *Luftwaffe*.

Russia's economy is characterised by unequal progress in different places. For a long time, communications were neglected until serious transport difficulties threatened industrial output. The actual increase in the length of the railways has been small compared with the increase in freight carried. The present programme, which was in any case to be nourished, if possible, by German supplies and materials, aims at a total length of 60,000 miles, to be reached in 1942, against 56,865 miles in 1938. Motor transport has been developed to a greater extent and higher efficiency; and Russia is the second largest producer of motor lorries. Air transport is also well developed, and in summer months extensive use is made of inland waterways. New canals have been built, and important connections between rivers are under construction; but vast distances remain the first problem of Russian economy—and the Germans have their own urgent transport problems in Europe.

The Ukraine is still the main producing centre of the Soviet Union. The loss of the Ukraine would mean the loss of about half of Russia's heavy industries, and the conquest of the Caucasus would mean the loss of most of the current output of oil, and nearly all the refining capacity. But the new industrial centres in the Ural and in Asia would remain intact even if the whole of European Russia were to be occupied; and it would be a long time before the wealth of European Russia could be harnessed to German needs. There are no enormous stocks and surpluses to be carried away at once, and a policy of simple loot, by very gravely impairing the current working of Russian agriculture and industry, would considerably lengthen the time it would take to press Russian resources into German service. In the end, it is true, Russian resources could make Germany immensely powerful; and the moral to be drawn from the facts is not that the Nazi war machine can make—or expect—quick gains in power from this invasion, but rather that either the invaders must be stopped, or they must be broken by the western Powers before they have time to make use of their booty.

Finance and Banking

Comfortable Half-year End

The imminence of the half-year end has had only the very mildest reflection in credit conditions, such as a modest decline in total applications for Treasury bills and a virtual suspension of clearing bill purchases. Despite the decline of close on £10 millions in bankers' deposits at the Bank of England, the banks have actually remained quite willing lenders of overnight money, and the market has therefore had no difficulty in financing its slightly larger Treasury bill allotment. Ease of credit will be further assisted by the reduction in the Treasury's demands on the banks for fresh accommodation to no more than £20 millions against deposits and tender bills together, as well as by the incidence of the calendar, which will allow the market to concentrate its tenders this Friday on bills to be taken up after the turn of the month. Even apart from these aids, comfortable conditions would be assured by the constant presence in the background of the special buyer, prepared to accept bills at market rates at the first suspicion of stringency. The note circulation shows a further rise of £1,453,000 to the new high record of £638,984,000, making a cumulative rise of £9,469,000 over the past four weeks. Though this is negligible by comparison with the jump of £45,290,000 in the corresponding weeks last year, owing to fears of an imminent invasion following the collapse of France, any expansion at all runs contrary to the normal seasonal movement. The rise is clearly an index of the steadily mounting national wages bill, though it is perhaps reassuring to note that on the year the circulation now shows an increase of only £36,830,000.

Discouraging the use of Drafts

One of the unexpected consequences of war conditions has been the official discouragement of the use of drafts for the purpose of remittances overseas. A circular was

INDEX TO VOLUME CXL

Shortage of paper makes it impossible in war-time to follow the normal practice of distributing to every reader a copy of the Index to *The Economist*. Copies of the Index to Volume CXL (January to June, 1941) will be available early in July, and will be sent, free and post free, on application.

As our records have been destroyed will those of our readers who have applied for previous indexes kindly repeat their instructions?

THE ECONOMIST - Brettenham House - London, W.C.2

recently issued by the British Bankers' Association requesting banks to do their utmost to persuade their clients to use mail transfers or telegraphic transfers instead. The reason is the complications arising from the loss of drafts through the sinking of mail steamers. Very often it is difficult to know for certain whether cheques have become lost through enemy action at sea; in fact, in several known instances cheques which had been presumed lost were presented for payment—not always by their rightful holders. In such circumstances it is risky for the drawers of the cheques to issue a duplicate in replacement of the original, and the clients are usually required to deposit the amount involved. The necessity for providing for dollars or other foreign currencies in case the drafts are payable abroad in such currencies further complicates the matter. At best the loss, or presumed loss, of drafts leads to endless correspondence. The same is true of the loss of letters containing mail transfers, but in that case, at any rate, no risk or legal complications are likely to arise. Needless to say, telegraphic transfers are in existing conditions the ideal means of remitting funds abroad.

★

The loss of pension warrants, dividend warrants, share certificates and so on through the sinking of ships also causes endless trouble to their owners and their bankers. A large number of small amounts are remitted by pension warrants to British Dominions and Colonies, and their loss causes much inconvenience to the pensioners, who can ill afford to wait. Arrangements are being made with the governments concerned to facilitate the replacement of the amounts involved. In the case of dividend warrants, American and other foreign banks are reluctant to collect the amounts on their own responsibility, unless they in turn are covered by corresponding dollar deposits. American banks are precluded by law from accepting a guarantee instead, so that in their case the equivalent of the amounts involved has to be actually deposited with them in dollars. In the case of stock certificates, some American firms insist upon a deposit well in excess of the amounts involved, in order that they should be covered in the event of a rise in the price of the stocks concerned. All these problems require attention, and their solution could be greatly facilitated by closer collaboration between British and American banks and monetary authorities.

★ ★ ★

Large American Loan Expected

According to confident reports from New York, negotiations have reached an advanced stage for an American loan to this country of several hundred million dollars, which is likely to be announced within a few days. The whole of this country's direct investments, as well as marketable securities of companies in which the British interest is a large though not a controlling one, would be deposited with the Reconstruction Finance Corporation as collateral for a loan to be used in payment for war supplies ordered before the passage of the Lease and Lend Act. At the end of 1940 remaining British marketable securities were valued at \$616 millions and direct investments at \$900 millions, though the latter have since been realised to the extent of some \$80 millions by the Viscose sale and the pledging of British American Tobacco's subsidiary, while liquidation of the marketable securities presumably goes on steadily. At about the time the Lease and Lend Act was passed, Mr Harold Smith, the Budget Director, informed Congress that of British orders outstanding to a total of \$2,700 millions, payment had already been made for \$1,682 millions, leaving \$1,018 millions still to be provided for.

★

Whether the latter figure gives any measure of the scale of the projected loan is not clear, since on the one hand Mr Smith stated that part of the \$7,000 millions Lease and Lend appropriation might be used to pay for orders placed before that law was enacted, while on the other hand it is difficult to judge what arrangements have been made about payment for American supplies during the past three months. President Roosevelt has revealed that transfers under the Lease and Lend Act up to the

end of May amounted to the equivalent of only £18,750,000, which can be no more than a fraction of the total supplies arriving from the United States. Presumably, the balance forms part of the \$1,682 millions already paid for, as no payments of any importance can have been made since the passing of the Lease and Lend Act. This is clear from the sudden drop in supply expenditure from an average of close on £90 millions in the January-March quarter to no more than £72 millions during the current financial year. Any arrangement which will obviate the outright sale of Britain's American industrial participations will be the more welcome in view of the disappointing result of the Viscose deal. This was carried out in great haste as a "gesture," before the recent amendment to the Reconstruction Finance Act authorising the RFC to make loans to foreign governments against dollar collateral, which provides the legal basis for the proposed loan.

★ ★ ★

Russian Dollar Assets Unfrozen

In the monetary sphere, the chief consequences of the invasion of Russia have been the prompt unfreezing of Russian assets in the United States, estimated at \$100 millions, and the blocking of Finnish dollar balances. It will be recalled that to secure the more effective blocking of German-Italian dollar operations this was carried out under a general freezing order applying to all Continental countries; there was provision for exemption by general licence for six countries, all at that time neutrals, Finland, Portugal, Sweden, Spain, Switzerland and Russia. Swiss and Swedish assets have already been thawed by the grant of general licences against assurances that these funds would not be used for the benefit of Axis or Axis-occupied countries. Although the earlier reports of Finnish co-operation with Germany in the attack on Russia seem to have been incorrect, the fact that German forces are on Finnish territory clearly makes it impossible for that country to be accorded neutral status. Transfers under the \$35,000,000 Export-Import Bank credit to Finland have accordingly been stopped. In this country, no announcement has yet been made bringing Finland within the area covered by the Trading With the Enemy Act, but the business in Finmarks (hitherto nominally quoted at 200 to the £) has been entirely suspended and a blocking decision is expected. Finnish names have virtually disappeared from the bill market since the severance of trade through the German occupation of Norway. The market holds probably £8,000,000 of Soviet Government 5½ per cent five-year sterling notes issued in connection with the £10,000,000 export credit of 1936, but these are fully guaranteed by the British Government and in effect a British security.

★ ★ ★

Japan Centralises Exchange Operations

The principle of concentrating exchange transactions in Japan in the hands of the Yokohama Specie Bank, acting as agent for the Bank of Japan, is being further extended as from the end of this month. It will from then onward include operations in U.S. dollars and eleven other currencies as widely assorted as Canadian dollars, Reichsmarks and Swiss francs. The declared objective of this concentration is the elimination of the exchange risk for Japanese traders and bankers, the centralised account in each currency being guaranteed by the Japanese authorities, who will meet the losses and pocket the profits accruing on such operations. It must, however, be evident that the concentration serves a somewhat wider purpose—that of tightening the system of exchange control operated in Japan. If we add the latest list of eleven currencies to the group of currencies connected with sterling to which a similar concentration of operations was recently applied, it is evident that the whole body of exchange transactions between the yen group and other currencies will henceforth be centralised and even more amenable to official control than it has been in the past. Incidentally, the Note in *The Economist* of June 7th, page 763, dealing with the first application of this principle of centralisation to currencies linked with sterling numbered the Shanghai dollar among those currencies. Needless to say, this was an error—since the Japanese control would hardly endeavour to provide facilities for dealings in an enemy currency. The Straits dollar should be substituted for this in the list of these currencies.

Investment

Russia and the Investor

The outstanding fact in the reaction of the investing public to the invasion of Russia is that it has not, as have other extensions of hostilities, resulted in stagnation. The volume of business has been appreciably reduced, but there were signs before the Russian situation became acute that activity had reached a temporary maximum. This is not unnatural since British industrial equities, as gauged by the index of *The Financial News*, had been rising for some nine weeks, while fixed interest stocks, according to the same authority, had already suffered a minor reaction. Actually, in the former section, a slight loss on the eve of the invasion has been fully made good, while there is little change in fixed interest securities. Further, outside the sphere of either index, the rather speculative buying of developing mines on the Rand has continued, while there have been signs of a similar spirit in the buying of railway stocks in anticipation of an official statement. With these minor exceptions, demand continues to be highly selective and the spread in yields between the market favourites in any industry and the less well-known, or less uniformly successful, members of that industry, continues to widen. In fact, the reduction of yield margins stops short at the point where neither the size of the concern nor a really excellent record has attracted public interest in the past. Excellent results now are clearly an unreliable guide to the long term outlook, but it will not be surprising if an early development is the acceptance of little known shares with a good record carrying high yields, despite a possible severe limitation on their marketability. Meanwhile, the market has ceased to talk of an impending Government issue, despite the fact that a statement of some sort with regard to National War Bonds appears probable in the near future.

★ ★ ★

Stabilisation by Subsidy

The news that there is to be no general increase in steel prices as from July 1st, to offset the rise in the price of coal and other costs, was received by the stock market with complete equanimity. It is calculated that, as many companies in this industry must be paying heavy amounts under EPT, it is the Exchequer and not the equity holder who will have to foot the bill. This is perhaps the best way of reducing the impact of such increases as have to be granted, but it must be realised that it widens the "gap" and threatens to bring inflation. Unfortunately, steel is not the only industry where costs are rising, and it is only necessary to mention the demands for higher wages, mostly conceded, in whole or in part, by the railway, engineering and road transport workers, to obtain some idea of the importance of this factor in the price structure. It may not in every case prove so easy to prevent the impact of higher costs on the public or on the stockholder, and the recent speculative activity in railway equities and junior preference stocks illustrates the uncertainty in which official silence, both as to the old agreement and concerning adjustment of charges, has plunged stockholders. The truth is that for some nine months the agreement has been a

★ ★ ★

AB Picture Control

According to reports in the Press, there need be no anxiety as to the complete control of Associated British Pictures passing to America. The late Mr John Maxwell owned more than half the ordinary shares of this company, which is engaged in the production, distribution and exhibition of films, and the story had been put about that the whole was to be sold to Warner Brothers. It can now be taken as established that neither the present owner nor the Board of Trade is prepared to sanction such a sale, and that not more than half of the holding, that is some 25 per cent of the total 8,000,000 ordinary shares of 5s., is to be transferred. That being so, there remain two points of interest which should not be overlooked, namely, whether it is desirable that so large a holding should pass into foreign ownership, and, if so, how the payment should be effected. On the former point, there seems little reason for anxiety. As a matter of fact, the cinema circuit controlled by the Associated British Picture group was built up in part on Warner Brothers films. In so far as it remains possible to produce films in this country during wartime, it will perhaps be no bad thing—in view of past experience—if a highly successful American group has an important voice in controlling actual production. The extent to which they control the material produced will doubtless be influenced by Government policy as applied to the film-producing industry. If, however, American interests are to be allowed to acquire British interests it seems only fair that they should pay for them in dollars and not in sterling—of which all American film interests have substantial amounts frozen in this country. This seems to be the necessary corollary of a policy which has required British concerns to sell their foreign interests in order to replenish the shrinking stock of dollars.

Company Notes

Cable and Wireless Holding

It was already known that the receipts of the holding company of the telecommunications group from its own operating company and Marconi's wireless company were

INSURANCE NOTES

London Life.—The accompanying extracts from the life revenue account of the London Life incorporate the figures of the Clergy Mutual and Metropolitan Life, both closed funds which have written no new business for 23 years and 13 years respectively. The most striking feature is the heavy increase in death claims; despite this increase there would have been a profit on mortality had it not been for the inclusion in London Life claims of 31 deaths arising from war causes, costing £122,309. The low cost at which business is handled is, of course, largely due to the absence of commission payments, as well as being partly associated with the high average sum assured—nearly £1,500—per policy.

		Rise or Fall
New Business :—		
Net sums assured ...	£666,149	—£1,343,920 (66.8%)
Income :—		
Net premiums ...	£1,794,116	—£70,711 (3.8%)
Net interest... ..	£877,288	—£104,031
“ “ rate earned	£3 5 2%	—£0 5 9
Outgo :—		
Claims by death ...	1,154,054	+£392,235
Claims by maturity	£793,618	+£111,302
Surrenders	£340,667	—£53,861
Expenses	£96,063	—£3,557
Expenses—ratio to premiums... ..	5.2%	—

The valuation was made as hitherto on the bonus reserve method, with interest at 3 per cent. The aggregate surplus for the year in the three funds was

£198,730, against £392,376 for the previous year. This surplus has been chiefly employed in writing down the values of properties and strengthening reserves; except in the case of the Clergy Mutual fund, the directors consider that prevailing conditions do not justify a bonus distribution. In the balance-sheet the market value of Stock Exchange securities exceeds the book value; the association has investments of some £7,745,000 in mortgages and house property, and it is the belief of the directors that the reserves and unappropriated funds should be adequate to provide for any losses which have been experienced.

(Continued on page 874.)

unchanged, and the same proves to be true of dividends from the old cable companies, now virtually investment trusts. There is a minor increase in takings from other investments, while the income tax appropriation is slightly lower, so that the net income is £1,207,950 against £1,218,427. After meeting preference dividend and maintaining the ordinary payment, the carry-forward is slightly increased. The figures of the last three years are set out in the following table:—

	Years to December 31.		
	1938. £	1939. £	1940. £
Gross dividends received, etc.	1,397,280	1,376,662	1,366,979
Expenses.....	61,655	95,415	93,375
Funded income stock service	61,513	62,820	65,654
Preference dividend	922,162	922,162	922,162
Ordinary stock:—			
Earned.....	351,950	296,265	285,788
Paid	275,324	275,324	275,324
Paid %	4	4	4
Carried forward ...	205,282*	226,223	236,686

* After £70,446 extra income stock sinking fund provision.

Apart from a small decline in investments, the balance sheet of the holding company shows little of interest, but the consolidated figures are of some importance. Owing to the accumulation of profits as a provision against the EPT requirements of the group for two years, and to reserve appropriations, there are large additions to cash items and to creditors. The former have been further increased by a modest fall in fixed assets and holdings in subsidiaries. The net effect is a rise of some £1,050,000 in investments and of £1,406,000 in other floating assets, the excess of which over current liabilities is, at £2,615,883, some £633,000 up on the year. Most categories of investments are lower, but gilt-edged are up by £1,545,000. Total holdings are taken in at £13,725,000, and the market value at the end of last year showed a discount of 19 per cent on this figure as against one of 17 per cent a year before. The ordinary stock, at 61 ex dividend, yields £6 11s. 1d. per cent.

Iron and Coal Results

Reports, recently issued, of a number of companies with interests in collieries and in pig-iron production indicate that charges against profits absorbed a larger slice of available earnings last year. Thus, of two leading companies, *Consett Iron* and *Butterley*, the former suffered a setback in profits after all taxation for the year to March 31, 1941, from £633,188 to £531,069, while the latter for the same period experienced a decline from £354,936 to £337,430, before tax. With a reduction of £100,000 to £125,000 in depreciation provision, *Consett Iron* realised a rise in the rate of equity earnings from 9.6 to 10.6 per cent and maintained the ordinary payment at 7½ per cent. After the allocation of £30,000 against £23,000 to be written off investments, the carry forward is slightly higher at £214,448. The *Butterley Company*, which has raised depreciation from £75,755 to £78,529 and provided £112,000 against £102,000 for taxation, has not been able to prevent a fall in the cover for the ordinary dividend—reduced from 10½ to 10 per cent—from 13.1 to 10.2 per cent, even after inclusion of £17,500 no longer required for contingencies reserve. Thus, the carry forward is up only from £59,954 to £60,411. The superiority of the *Consett Iron* results is probably to be explained by the relatively greater importance of this company's pig-iron interests. Both companies were adversely affected last year by the shock to the coal export trade, occasioned by the disappearance of the Continental markets. The chairman of *Consett Iron*, Mr Clive Cookson, in his speech circulated with the report, points out that the concern became a controlled undertaking during the year. The balance sheet of *Butterley* indicates that the shortage of liquid capital, which was apparent at the end of March, 1940, has become more acute. The bank overdraft is up from £44,272 to £145,526 and trade creditors, including taxation, from £287,026 to £478,888. Cash remains at the low level of £2,850. Both companies show a rise in stock, for *Consett Iron* from £898,944 to £1,365,124 and for *Butterley* from £331,763 to £478,476. Otherwise, the *Consett Iron* balance sheet shows

little change of importance. In the current year, in the absence of fresh disturbance to the market for the companies' products, earnings should be well maintained. The £1 ordinary stock of *Butterley*, at 23s. 1½d. ex dividend, offers a yield of £8 13s. per cent. The *Consett Iron* 6s. 8d. ordinary stock, at 6s. 4½d., yields £7 16s. 10d. per cent.

Harland and Wolff Record Profits

The full accounts of Harland and Wolff for 1939 fully justify the optimism induced by the dividend announcement increasing the rate paid on "B" ordinary capital from 4 to 6 per cent. Gross profits are up from £815,151 to £1,142,210, a new record level. The surplus available for "A" and "B" ordinary dividends is actually reduced from £379,784 to £295,825 owing to a substantial rise in tax liability from £22,426 to £431,409, while depreciation is maintained at £400,000. The rate of cover for the "B" ordinary dividend is, however, raised from 16.5 to 17.3 per cent, and after transferring £100,000 to general reserve as in the two previous years, the carry forward is £1,543 higher at £98,434. Considerations of security prevent the management from providing any details of the company's activity last year, other than those contained in the balance-sheet. From this statement it is clear that the concern was employed to capacity. Net additions at cost to fixed assets, at £488,439 against £373,688, bring the total of this item, after depreciation, to £5,835,133, the total of stock and expenditure on work in progress is up from £1,977,256 to the considerable figure of £4,306,376, the greater part of the rise being in the latter item. A rise of some £800,000 in trade debtors provides an increase in liquid assets of £3,025,656, while trade creditors, including tax and contingencies, have risen from £2,185,320 to £5,421,222, of which £1,575,502 is represented by a bank loan. The yield of £8 13s. offered by the £1 "B" ordinary stock at the present price of 13s. 10½d. ex dividend is in line with the current return on iron and steel issues.

"Shell" Earnings Reduced

The accounts of "Shell" Transport and Trading are as uninformative as ever, and with no Royal Dutch statement and the chairman's statement robbed of much of its interest, little light is thrown on the earnings of the group as a whole. The figure of dividends received is slightly lower on the year, and, as is shown in the table below, giving a three-year trend in earnings and allocations, the earned percentage on the equity is again lower at 5.3 against 5.8 per cent.

	Years to December 31.		
	1938. £	1939. £	1940. £
Dividends, etc.	6,680,373	2,527,766	2,382,822
Expenses and Fees	49,783	49,922	52,977
Preference Dividends	800,000	800,000	800,000
Ordinary Stock (tax free):—			
Earned.....	5,830,590	1,677,844	1,529,845
Paid	5,789,126	1,447,281	1,447,281
Earned %	20.1	5.8	5.3
Paid %	20	5	5
Carried Forward	206,668	437,231	519,794

The year has brought fresh misfortunes, Roumania, Bulgaria, Yugoslavia and Greece being added to the countries in which the group has lost physical assets. The chairman, Lord Bearsted, points out that there is no means of assessing damage to these properties, but that it must be considerable, a fact which explains the cautious dividend policy of the operating concerns. All goes well in the U.S.A., where demand is high, and the threat of a surplus has been removed by the decline in the flush production of the Illinois fields. The balance-sheet of the company shows few changes of importance. There is a small transfer, among liabilities, from creditors to carry forward, while fixed assets are down by some £491,000, investments by about £684,000 and dividends accrued by £275,000, against which cash is up by £1,466,000. It was, however, an accident that the company was under-invested at the date of the accounts and there has been a substantial purchase of Government stock since then, probably making good a fall of some £942,000 in this item on the year.

THE ECONOMIST

TRADE SUPPLEMENT

JUNE 28th, 1941

In view of the need to economise paper the Trade Supplement, published monthly until the end of 1940, is now being published quarterly in the last week of March, June, September and December.

The Trend of Business

THE virtual exhaustion of the unemployment "reserve" and heavy shipping losses during the past three months have underlined the need, first for a still better balance in the use of manpower, and, secondly, for a still closer control over the allocation of materials.

Among the measures designed to achieve these ends were the scheme of concentrating the consumption goods industries, announced last March; compulsory registration of men over military age and of women over twenty years old; the application of the Essential Work Order to vital industries; and the reduction in the supplies of personal and household goods, followed, in June, by the rationing of clothing.

The concentration of the consumption goods industries—a measure that was expected to release 500,000 to 700,000 men and women for war work—is still far from complete. A number of firms have been forced to close down for lack of raw materials, while many others have formulated schemes for concentrating production into fewer units. But it will take months before the slimming process can be completed.

Registration of men over military age and of women has begun, but here again progress has been fairly slow. In fact, the speed of the transfer of workers from unessential and over-staffed industries to war work has not been commensurate with the urgent need for greater output.

The Essential Work Order has been applied to the merchant navy, to shipbuilding and ship-repairing, to coal-mining and to building and civil engineering, in order to prevent the exodus of labour from these trades. There are no indications concerning the tonnage of merchant ships launched, but the gravity of the situation was brought home by President Roosevelt when he pointed out that the aggregate output

of British and American shipyards was equal to only about one-half of the losses incurred through enemy action. Mr Grenfell, the Secretary to the Mines Department, pointed out in the House of Commons on May 28th that a dangerous situation existed with regard to coal supplies. The industry's output was below current demand and stocks had been reduced to 14 million tons, equivalent to only about three weeks' production. While the application of the Essential Work Order to coal-mining was imperative, an additional 50,000 miners are said to be needed to provide for the accumulation of stocks for the winter.

The output of consumption goods has been curtailed, though it is questionable whether the reduction has been commensurate to the present emergency. The output of tobacco, for example, is understood to be in excess of the pre-war level. The rationing of clothes *per capita* instead of in bulk has been designed to ensure a measure of equality in distribution. There has been a tendency towards standardisation in the production of consumers' goods, but the possibilities have by no means been exhausted.

The past three months has been a period of expansion in the output of munitions. But the limit of Great Britain's war effort in the factory has not yet been reached. Apart from the need for transferring additional men and materials to vital industries, much remains to be done in bringing about a better utilisation of existing resources. It may be impossible to reach a state of affairs where every man and woman and every machine is fully and continuously employed on essential work. But a determined effort is needed to reduce the waste of resources through lack of foresight, faulty organisation or bad management.

British Industrial Development

COAL

At the end of last March the Government informed the coal-mining industry of the urgent need for an increase in output for the purpose of accumulating stocks during the summer. Two months later, on May 28th, Mr. Grenfell, Secretary to the Mines Department, pointed out in the House of Commons that a dangerous situation existed with regard to coal supplies. The coal-mining industry was not even producing sufficient coal to meet current demands; and stocks amounted to only 14 million tons, equivalent to little more than three weeks' output. Unless at least 20 million tons were added to stocks before the end of October, the position would not be safe. During the same debate Mr. Lyttelton, President of the Board of Trade, stated that the coal problem was no longer one of transport, but one of production. In order to arrest the exodus of labour from the industry, the Government applied the Essential Work Order to the industry early in June and sought to enlist the goodwill of the miners by the introduction of the guaranteed payweek and an increase in wages of 1s. per manshift, conditional upon attendance. And, since the industry's depleted labour force—some 70,000 to 80,000 surface and underground workers have been called up or taken up other employment during the past twelve months—is considered to be inadequate, Mr. Bevin has made an appeal to workers with mining experience to return to their former occupation. It is expected that the production programme could be fulfilled with an additional 50,000 men.

IRON AND STEEL

The output of steel has been fairly well maintained during the past three months. There have been difficulties, owing to the change in the composition of the furnace charges, for example, but, on the whole, the iron and steel industry has achieved a measure of success in adapting its technique to the change. The total supply of ore and scrap has remained fairly satisfactory,

though scrap policy has occasionally been criticised. But while steel supplies have been reasonably adequate, they are only sufficient to meet essential needs. It is understood that the steel distribution scheme is now operating much more smoothly than at its inception.

CHEMICALS

During the past three months the industrial chemicals market has remained steady with a slow volume of enquiry throughout. There has been no evidence of any important price change. Conditions in the pharmaceutical and fine chemicals sections have been rather quiet, although a fair undertone has prevailed throughout, with a steady volume of inquiry. Most items in the coal tar products market have been in active demand and a regular flow of business has been transacted, a considerable interest being shown in cresylic acid. All wood distilled products have been in good demand and prices have been firm.

COTTON

The outstanding event in the industry has been the concentration of production scheme. About 180 spinning mills have been closed out of 415 in the trade, and some 150 weaving firms out of about 1,000 sheds will cease production early in July. Progress in the spinning branch has been slow, but numerous schemes have been put through in the manufacturing section. The authorities have had to give prior consideration to firms that are engaged on Government contracts, and secondly to orders from abroad. Cotton Importers and Distributors, Ltd., has now begun to function and is responsible for the distribution of all cottons. Some revision of prices is expected at the end of July, especially in view of the appreciable advance in prices in the United States during the past three months. Export business in manufactured goods is now restricted according to the quotas allowed, which have been arranged on the basis of a year ago. The bulk of the

trade done has been for Java, Singapore, Rangoon, Argentina and the Dominions. There has been a steady demand from the Government, especially for heavy materials, aircraft fabrics and cloths for proofing, and some fair contracts have been placed. Spinning production is now 55 per cent of capacity as compared with 65 per cent three months ago and 95 per cent this time last year.

WOOL

It is believed that the wool textile industry will receive a rather more generous ration of raw material for civilian purposes during the coming rationing period, July/October, but this, it is said, will be only part compensation for a marked reduction in Government orders. No change is anticipated in the rate of supply of raw material for export in the form of fabrics and garments. There is better news of export of wool yarns and some good enquiries have been received recently from the Far East. The main interest of the wool textile trade to-day, writes a correspondent, is not the raw material supply but the extent to which production is to be concentrated. A number of firms have been listed as protected, but the choice does not appear to have met with general agreement.

JUTE

A considerable advance has taken place in prices for both raw jute and Calcutta goods during the past quarter. The fibre has

risen by £7 10s. per ton to £36 10s. for the full group of Daisee, 2/3, c.i.f. Dundee, August/September, and the new crop has been mentioned at £40. This rise in raw jute prices is reported to be due to the restriction placed upon sowings this season. The Government's intention was to bring the area down to about one-third of last season, when the crop was estimated to be 12,560,000 bales. The raw jute situation in Dundee naturally does not improve: only 400,000 bales of jute have been imported since last August, compared with the usual 900,000 bales in the same period. Only orders for essential purposes are therefore being allowed to be made, and spinners and manufacturers are practically dependent upon Government orders and export business.

FOOTWEAR

Like most other trades, demand for material is high relative to the supply, but civilian trade appears to have its demands met to some extent by the periodic release of Government surplus or reserved stock. Supplies are easily sold. Imports of leather have been greatly reduced and a quota is in operation. The rationing of clothing may have the effect of reducing somewhat the demand for leather in the glove and shoe trades. It is likely, however, that the demand for repairing bends will rise. It was announced on June 24th that a Director of Civilian Footwear had been appointed, under the aegis of the Leather Controller.

Business Developments Overseas

UNITED STATES

Business activity has continued at a high level, and the construction of munition factories, as well as the output of munitions, is proceeding apace. So far, however, there has been hardly any reduction in the output of consumers' goods, such as motor cars. Although there is no general shortage of labour—the unemployed are still numbered in millions—there is a scarcity of skilled labour in certain industries. Moreover, enormous though the country's suppliers of the chief raw materials are, there have been reports of shortages of individual materials. Indeed, the United States has now reached a position where the output of certain types of war equipment can only be increased substantially at the expense of the production of consumption goods. The organisation designed to ensure priority of supplies to the war industries has been strengthened, and, in the case of a number of raw materials, it has already issued directions to this end. Labour disputes have tended to hamper the progress on the munitions front in April and May. But the vigorous action taken by the Government to stop an unauthorised strike earlier this month was followed by the settlement of the majority of outstanding disputes, which has encouraged the hope of an abatement of the strike epidemic.

BRITISH EMPIRE

CANADA.—The seasonal decline in employment which usually occurs during the first quarter of the year was only 2 per cent this year, and in the manufacturing industries employment continued to increase. The total of war contracts by the end of March amounted to \$1,524 millions, of which about 56 per cent was on Canadian and 44 per cent on British account. It is expected that about four-fifths of the \$106 million programme for chemicals and explosives will be completed this summer. Bren guns, shells, bombs and a variety of armament components are now in production, 25-pounder field guns and tanks are to be turned out soon, and anti-aircraft and naval guns before the end of the year. By the agreement with the United States, that country is to enlarge her purchases from Canada by over \$200 million, thus helping to meet the cost of Canadian defence purchases in the United States. Certain components of the munitions which Canada is producing for Great Britain are to be supplied by the United States under the Lease-Lend Act. The agricultural outlook is, for the most part, unusually favourable.

AUSTRALIA.—The June cable from the National Bank of Australasia states that manufacturing and building industries are working to capacity, and the consequent wage increases and full employment are steadily expanding retail trade. A timely rainfall has greatly improved agricultural prospects in all States and there is a good prospect of substantial surpluses of agricultural products.

SOUTH AFRICA.—The engineering shops and the footwear, clothing and blanket factories are well employed, but there is some shortage of raw materials and labour. Gold output in May was 7,791 fine ounces and its value £65,444 in excess of the previous record. Agricultural conditions are fairly favourable and the condition of livestock good. It is hoped to export a fair quantity of grapefruit pulp and raw lemon juice to the United Kingdom.

LATIN AMERICA

Argentina's trade balance for the first quarter of 1941 was favourable to the extent of 102,820,000 pesos. This reversal of the adverse trade balance, however, has been achieved only through a very drastic cut in imports, for exports have been lower. Owing to shipping difficulties, however, import permits for about 80 per cent of total imports—including goods from the sterling area—have been abolished, whilst the remaining 20 per cent will presumably represent luxury goods. Argentina is still faced with the major problem of a very large unsaleable grain surplus, including 12,000,000 tons of maize, as well as large stocks of wheat and

linseed, and the expense of buying these from farmers is a severe strain upon the national finances. Agriculturists are suffering from the effects of low grain prices and the loss of export markets, which find reflection in retail trade. Business in Uruguay is buoyant, sales of wool to the U.S.A. having more than compensated for the loss of European markets. The value of exports of most products—particularly coffee and cotton—from Brazil in the first quarter of 1941 was higher than in the like period of 1940. Coupled with the fall in imports from Britain and Europe, this led to Brazil recording a favourable balance of trade at end-March, 1941, of 213,000 contos, against an adverse balance of 143,000 contos twelve months previously. The agreement for coffee imports into the U.S.A. from Brazil and the other producing countries of South and Central America has been successful in its first year, and coffee prices have advanced sharply, owing to the desire of the U.S.A. to build up coffee stocks as an insurance against possible transport difficulties. This has led to much increased foreign exchange supplies in Brazil, Colombia and elsewhere, and the remittance position with regard to British imports into Colombia, particularly, shows alleviation. The rearmament programme in the United States benefits Chile, through increased shipments of copper and nitrate, for example, and there are hopes of relief to the stringent sterling situation, particularly for the release of at least part of the British goods lying in bonded warehouses. The new cotton crop in Peru is turning out well in quality, and there should be relief in the stringency in sterling because of the reported agreement with Britain to purchase £1,000,000 sterling worth of Peruvian products—particularly cotton.

GERMANY AND GERMAN EUROPE

The disruption of communications and industries in the Balkan countries were compensated by increased activities in Germany and by closer economic collaboration with France and other European countries. The influx of foreign workers into Germany has continued. Some 2.5 to 3 million foreign workers, including prisoners of war, may now be employed in agriculture and industry. Yet a shortage of labour caused a new drive for the concentration of industries; and the calling up of women under the compulsory labour service decree was resumed. State and private concerns co-operated in establishing a number of holding concerns on a Continental basis, such as the "Continental Oil A.G." and the European Re-Insurance Cartel. The extension of German hegemony on the Continent has affected the location of industries. New and in the incorporated Polish territories. The capacities in occupied or dependent countries are being enlarged. There are reports of new iron and steel plants being built in Poland, Holland, Denmark, Sweden, and Hungary. The manufacture of artificial textile fibres is rapidly being expanded in France, Holland, Norway, and Sweden. Germany's manufacturing industry, dependent on increased numbers of unskilled and semi-skilled workers, has continued the process of rationalisation, and the standardisation of civilian consumption goods, such as clothing, and household goods is progressing. Official reports indicate that Germany's foreign trade with Italy, and with the Western and Northern European countries has increased. Foreign trade with the Balkan countries, however, has come temporarily to a standstill. The indices of wholesale prices and of the cost of living remained virtually unchanged during the first four months of 1941. Compared with August, 1939, these indices advanced by 4.5 per cent and 4 per cent respectively. The index of industrial raw materials, however, was 5.5 per cent above the level of August, 1939, and the index of clothing advanced by 14.6 per cent. Price control has been tightened and a general reduction of the retailer's margin decreed. The exceptional liquidity of the capital markets has continued. A temporary slump in share prices was caused by the announcement that a dividend stop would be introduced. The Bourses in occupied countries showed a similar liquidity.

OVERSEAS COUNTRIES

	Unit of Measurement	Monthly Average						1940						1941			
		1929	1932	1937	1938	1939	1940	Jan.	Feb.	Mar.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
I. BRITISH COUNTRIES																	
AUSTRALIA (Population 1939: 6,997,000; Area: 7,704,000 sq. kms.)																	
1.	Retained imports.....	Million £ stg. *	10.69	4.26	8.36	8.78	8.00	10.49	11.52	13.90	9.64	8.92	9.59	9.06	8.63	9.50	6.20
2.	Domestic exports.....	Million £A.	7.91	7.84	12.31	11.09	10.06	12.34	13.88	14.37	12.52	9.66	10.66	13.06	11.47	12.38	9.35
3.	Unemployed Trade Unionists (a).....	Thousands	47	120	42	41	47	100	96	97	99	102	103	101	102	...	...
4.	Wholesale prices (Melbourne).....	1929=100	100.0	80.7	84.9	87.2	89	...	...	...	90	...	...	...	...	...	...
5.	Cost of living (a).....	"	100.0	80.7	84.9	87.2	89	...	...	...	90	...	...	...	...	...	...
CANADA (Population 1939: 11,301,000; Area: 9,542,000 sq. kms.)																	
6.	Business activity (b).....	1935-39=100	...	...	...	...	134	124	117	115	149	146	147	141	145	138	134
7.	Retained imports (c).....	Million Can. \$	108.2	37.7	67.4	56.5	62.6	90.2	71.1	71.0	76.7	86.3	108.6	102.3	102.3	98.4	89.6
8.	Domestic exports (c).....	"	102.1	46.7	93.7	79.7	77.0	99.4	90.9	72.3	83.5	102.8	106.8	118.4	98.7	89.0	100.5
9.	Applicants for work (d).....	Thousands	15	75	88	105	104	101	112	120	122	81	78	79	66	78	...
10.	Wholesale prices.....	1929=100	100.0	60.8	88.4	82.2	79	87	86	87	87	87	88	88	88	89	90
11.	Cost of living.....	"	100.0	81.5	83.2	84.1	83	87	85	85	86	87	88	89	89	89	89
12.	Price of industrial securities.....	"	100.0	23.7	77.4	64.4	62	51	61	60	60	50	49	49	45	46	42
13.	Commercial bank deposits (d).....	Million Can. \$	2,163	1,844	2,282	2,394	2,504	...	2,598	2,425	2,411	2,659	2,540	2,588	2,672	2,677	2,798
EIRE (Population 1939: 2,934,000; Area: 69,000 sq. kms.)																	
14.	Retained imports.....	Million £	5.021	3.453	3.624	3.618	3.618	3.920	4.073	4.104	4.117	2.905	3.098	2.725	3.570	2.893	...
15.	Domestic exports.....	"	3.852	2.098	1.853	2.020	2.242	2.752	2.399	2.110	2.812	2.515	3.144	3.239	2.884	2.241	...
16.	Applicants for work.....	Thousands	20.70	62.82	82.42	88.71	93	84	118	117	88	65	68	105	96	107	...
17.	Cost of living (a).....	1929=100	100.0	89.2	96.8	98.5	101	117	...	...	112	117	...	...	122	...	124
18.	Notes in circulation.....	Million £	14.21	13.4	15.7	16.9	18.0	...	17.1	17.1	17.5	19.2	19.9	20.5	21.2	20.0	...
INDIA (Population 1938: 362,828,000; Area: 4,684,000 sq. kms.)																	
19.	Retained imports - Sea-borne.....	Million rupees	208.6	110.7	132.0	125.2	129.1	...	155.8	148.1	139.9	121.1	118.6	115.5	...	...	...
20.	Domestic exports - trade (e).....	"	238.8	112.6	168.8	135.2	151.0	...	236.6	219.8	194.6	162.5	144.9	151.2	...	...	...
21.	Wholesale prices, Calcutta.....	1929=100	100.0	64.5	72.3	67.6	76	85	92	89	86	84	...	85	...	86	87
22.	Cost of living, Bombay.....	1933-34=100	...	...	106	106	106	...	114	112	110	112	...	...	...	...	...
NEW ZEALAND (Population 1940: 1,641,000; Area: 268,000 sq. kms.)																	
23.	Retained imports.....	Million N.Z. £	3.998	2.001	4.638	4.570	4.097	4,020	3,327	3,302	2,675	4,189	3,952	3,148	3,334	3,053	...
24.	Domestic exports.....	"	4.515	2.915	5.517	4.817	4.784	6,082	6,265	8,070	7,212	3,125	4,758	4,176	7,112	6,741	...
25.	Wholesale prices.....	1929=100	100.0	89	103	105	108	103	100	101	101	109	104	105	105	105	...
26.	Cost of living.....	"	100.0	83.5	91.9	94.6	98	103	100	101	101	106	104	105	105	...	...
SOUTH AFRICA (Population 1939: 10,160,000; Area: 1,222,000 sq. kms.)																	
27.	Retained imports.....	Million S.A. £	6.59	2.61	8.38	7.75	7.35	8.30	8.90	8.49	7.87	7.20	8.76	7.42	6.25	9.08	9.16
28.	Domestic exports (f) (m).....	"	3.91	1.58	3.05	2.46	2.58	2.95	4.14	3.09	3.23	2.17	2.08	2.60	3.26	2.18	2.05
29.	Wholesale prices.....	1929=100	100.0	79.0	87.0	90.0	88	98	94	95	96	99	101	101	102	102	103
30.	Cost of living.....	"	100.0	89.0	90.5	93.8	94	97	95	96	96	98	98	98	98	99	100
II. OTHER COUNTRIES																	
UNITED STATES (Population 1938: 130,085,000; Area: 3,026,789 sq. miles; 7,839,432 sq. kms.)																	
1.	Indus. production, F.R.B. (j) (k).....	1935-39=100	110	58	113	88	108	122	122	116	113	125	129	132	138	139	141
2.	Minerals, F.R.B. (j) (k).....	"	107	66	112	97	106	117	118	114	117	116	113	117	118	118	124
3.	Manufacturers, F.R.B. (j) (k).....	"	110	57	113	87	108	123	123	116	117	116	113	117	118	118	140
4.	Coal production.....	Million m. tons	46.0	27.2	10.83	29.3	33.3	38.5	45	38.7	35.4	38.7	38.9	39.8	41.8	44.3	...
5.	Electricity generated.....	Million kw. hrs.	8,113	6,846	10,083	9,400	10,856	12,080	12,252	11,104	11,514	11,977	13,063	12,771	13,456	13,641	12,313
6.	Steel production.....	Thous. m. tons	4,599	1,128	4,192	2,257	3,991	5,065	5,234	4,107	3,983	5,495	6,027	5,870	5,891	6,299	5,670
7.	Index of new orders, N.I.C.B. (l).....	1935-39=100	140	45	108	85	116	...	...	...	...	176	197	...	...	...	6,483
8.	Residential.....	Million \$	159.6	23.3	75.5	82.2	111.2	133.1	77.4	74.9	121.7	152.4	148.5	152.8	159.3	111.3	116.5
9.	Other.....	"	319.6	89.3	184.4	184.2	185.5	200.6	118.8	125.7	150.5	195.3	234.6	127.5	296.9	193.9	153.9
10.	Output of Private cars.....	Thousands	382	88	326	167	239	308	363	338	353	225	42	407	397	411	394
11.	Commercial vehicles.....	"	20	20	72	41	55	65	69	63	62	62	63	69	87	90	91
12.	Cotton production.....	Thous. bales	587	418	679	409	614	676	632	662	627	639	771	744	775	843	794
13.	Index of Rly. car loadings (j).....	1929=100	100	52.8	74.7	59.2	66.6	71.5	73.6	68.8	65.1	72.6	72.6	78.3	79.2	81.2	82.1
14.	Index of Dept. Store sales (j).....	"	100	62.2	83.6	76.7	89.1	84.2	82.8	81.2	80.2	87.4	84.7	90.1	91.0	91.0	92.7
15.	Retained imports.....	Million \$	362	110	251	163	190	211.7	234.7	189.8	206.7	196.3	213.1	217.2	238.3	223.6	233.7
16.	Domestic exports.....	"	430	131	275	255	262	327.9	359.1	338.6	344.6	288.3	336.2	321.3	315.3	318.0	303.4
17.	Factory employment, F.R.B. (j).....	1929=100	100	62.6	101.0	81.5	92.5	102.7	102.8	101.0	99.3	104.0	106.4	109.1	114.3	113.0	113.1
18.	Pay rolls, Dept. of Labor.....	"	100	42.6	93.5	78.5	83.3	96.6	91.5	91.0	91.5	102.7	106.5	106.7	112.2	110.6	115.9
19.	Hourly earnings, N.I.C.B. (m).....	"	100	84	120	123	124	127	125.3	125.4	126.0	127.7	128.3	128.8	130.0	130.9	131.7
20.	Av. hours of work, N.I.C.B. (n).....	Number	48.3	34.8	39.3	34.5	37.6	38.6	38.7	38.0	37.7	39.0	39.9	39.6	40.0	40.2	41.0
21.	Applicants for work.....	Thousands	...	...	5,155	7,404	6,240	5,317	6,079	5,920	5,275	4,911	4,619	4,568	4,760	5,093	5,066
22.	Cost of living, N.I.C.B. (n).....	1929=100	100	77.9	88.4	86.3	85.2	85.2	84.5	85.0	84.9	85.6	85.4	85.4	85.9	86.0	86.9
23.	Wholesale prices, D. of Lab. (o).....	"	100	68.0	82.2	82.5	80.9	82.4	83.3	82.0	82.6	81.6	82.6	83.9	84.8	84.6	85.6
24.	" Raw materials.....	"	100	56.5	86.9	73.8	77.8	75.6	75.6	74.8	72.3	72.3	74.5	75.5	75.6	75.9	77.7
25.	" Manufactured goods.....	"	100	63.2	90.8	80.3	82.0	84.2	87.0	85.1	84.9	82.7	84.6	86.0	86.6	86.6	88.8
26.	" Finished goods.....	"	100	74.4	92.2	87.0	85.2	86.3	86.5	86.1	85.9	86.3	86.9	87.4	87.8	88.3	89.1
27.	Farm products.....	"	100	45.0	82.5	65.3	63.4	64.5	66.0	65.6	64.7	63.2	63.3	65.0	66.5	68.3	67.1
28.	347 Indus. securit's, Standard Statistics.....	"	100	24.4	69.0	52.6	55.5	51	57	57	57	50	50	51	50	49	46
29.	Federal Expend. Total (i).....	Million \$	321	360	712	641	805	...	5,479	6,147	7,152	2,299	3,189	3,987	5,174	6,292	4,962
30.	Federal Receipts (i).....	"	336	173	441	420	499	...	3,060	3,504	4,438	1,489	3,362	2,184	2,924	3,264	3,805
31.	Total Fed. Bank credit.....	"	1,459	2,077	2,554	2,600	2,616	2,457	2,503	2,547	2,529	2,472	2,381	2,276	2,274	2,228	2,223
32.	Gold stock.....	"	3,996	3,952	12,162	13,250	12,215	20,008	17,931	18,177	18,433	21,166	21,499	21,755	21,995	22,110	22,179
33.	Money in circulation.....	"	4,476	5,128	6,475	6,510	7,171	7,901	7,376	7,455	7,511	8,090	8,265	8,465	8,732	8,548	8,725
34.	Member Bank Res. Balances.....	"	2,358	2,314	6,830	7,935	10,460	13,331	12,150	12,328	12,423	13,703	14,175	14,292	14,026	14,347	14,175
35.	Excess Reserves.....	"	43	256	1,220	2,522	4,469	6,376	5,559	5,692	5,628	6,645	6,930	6,991	6,615	6,799	6,542
36.	Member Banks in 101 towns: Loans and investments.....	"	22,590	19,080	22,198	21,023	22,417	23,938	23,157	23,220	23,380	24,233	24,620	24,588	25,661	26,316	26,316
37.	Deposits: Demand.....	"	...	...	15,097	15,033	17,331	20,490	18,946	19,210	19,344	21,011	21,442	21,890	21,299	22,757	23,092
38.	Time.....	"	6,788	5,666	5,202	5,202	5,324	5,359	5,276	5,283	5,344	5,378	5,376	5,403	5,424	5,458	5,479
39.	Bank debits ex. N.Y. City.....	"	27,662	12,867	16,601	17,054	18,192	19,746	19,978	17,344	19,537	18,267	21,365	20,819	24,327	22,498	19,457
40.	Call money.....	"	7.61	2.05	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
41.	Yield on Govt. bonds.....	"	3.60	3.66	2.68	2.56	2.36	2.21	2.30	2.32	2.25	2.10	2.10	1.97	1.89	1.90	2.10
42.	Capital issues, C.F. Chronicle.....	Million \$	595	99	175	196	186	162	95	104	71	114	257	263	190	95	77
ARGENTINA (Population 1939: 13,130,000; Area: 2,793,000 sq. kms.)																	
1.	Retained imports.....	Mill. paper pesos	163.3	60.7	129.8	121.7	115	124.9	161.5	137.0	127.1	111.8					

	Unit of Measurement	Monthly Average						1940						1941			
		1929	1932	1937	1938	1939	1940	Jan.	Feb.	Mar.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
II. OTHER COUNTRIES—contd.																	
SWEDEN (Population 1939: 6,341,000; Area: 449,000 sq. kms.)																	
16. Industrial production (i).....	1929=100	100	88	149	146	155	141	160	159	158	131	133	134	134	133	133	131
17. Retained imports.....	1929=100	100	96	177	173	208	257	257	257	140	140	140	140	140	140	140	140
18. Domestic exports.....	1929=100	100	79	166	153	157	111	168	115	115	106	106	106	106	106	106	106
19. Wholesale prices.....	1929=100	100	111	111	115	146	138	138	140	148	154	157	159	162	164	169	169
20. Cost of living (49 towns).....	1929=100	100	92	95	97	101	115	109	116	116	116	116	116	116	116	116	116
21. Price of industrial securities.....	1929=100	100	37	78	75	73	80	54	56	66	59	59	67	65	68	63	66
SWITZERLAND (Population 1939: 4,216,000; Area: 41,000 sq. kms.)																	
22. Retained imports.....	1929=100	100	146	150	133	157	154	177	199	236	91	119	139	151	134	134	129
23. Domestic exports.....	1929=100	100	66	107	109	108	109	99	110	121	97	123	139	151	134	134	129
24. Wholesale prices.....	1929=100	100	68	78	78	79	101	90	92	94	108	110	114	116	118	119	121
25. Cost of living (34 towns).....	1929=100	100	85	84	85	86	94	90	90	90	95	97	99	99	101	101	102
26. Price of industrial securities.....	1929=100	100	52	105	130	127	118	126	129	130	110	111	112	118	118	117	120
TURKEY (Population 1935: 16,158,000; Area: 768,000 sq. kms.)																	
27. Retained imports.....	1929=100	100	87	17	9	5	5	5	5	5	5	5	5	5	5	5	5
28. Domestic exports.....	1929=100	100	8	11	12	10	10	10	10	10	10	10	10	10	10	10	10
29. Wholesale prices.....	1929=100	100	64	61	61	63	63	71	71	71	71	71	71	71	71	71	71
30. Notes in circulation.....	1929=100	100	149	169	194	281	280	280	290	301	357	384	393	403	404	418	453

RAW MATERIALS AND CRUDE FOODSTUFFS

Commodity	Unit of Measurement	Monthly Average						1940						1941			
		1929	1932	1937	1938	1939	1940 (a)	Feb.	Mar.	Apr.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
OIL																	
1. Production: Dutch East Indies	Th. metric tons	437	424	605	616	662	662	612	660	599	673	660	733	640	...	...	...
2. " Mexico	"	556	408	578	471	525	539	456	572	488	616	566	576	581	...	...	...
3. " Iran (Ang.-Ir. Oil)	"	462	543	871	911	811	755	819	878	711	875	875	783	870	...	...	...
4. " Rumania	"	403	612	596	550	520	484	489	521	501	468	398	423	371	411	430	...
5. " U.S.A.	"	11,509	8,970	14,597	13,679	14,262	15,242	14,703	16,246	15,701	15,345	14,464	14,953	14,971	13,637	15,264	...
6. " U.S.S.R.	"	1,206	1,791	2,307	2,405	2,461	2,475	2,367	2,532	2,437	2,469	2,469	2,469	2,593	...	...	...
7. " All Principal Countries	"	17,145	15,048	23,486	22,686	23,238	26,242	24,240	26,240	25,240	26,240	26,240	26,240	26,240	26,240	26,240	...
8. Stocks: U.S.A. end year	million barrels	422	340	306	273	238	262	240	246	254	262	262	262	260	263	266	266
9. Price: U.S.A. Mid-Cont. crude	cents per barrel	123.3	81.3	115.2	110.2	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0	101.0
COPPER																	
10. Production (Smelter) U.S.A.	Th. metric tons	83.2	23.2	74.2	48.6	63.2	75.0	69.1	77.8	76.5	78.8	76.7	77.2	75.0	71.9	77.7	88.7
11. Stocks: U.S.A. (b)	£ per ton	75.48	31.71	54.53	44.8	42.75	62.00	62.00	62.00	62.00	62.00	62.00	62.00	62.00	62.00	62.00	62.00
12. Price: Std. cash, London (c)	cents per lb.	18.11	5.56	13.17	9.17	10.97	11.48	11.15	11.16	11.09	11.83	12.00	12.00	12.00	12.00	12.00	12.00
13. " Electrolytic, N. York	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
LEAD																	
14. Production: (Smelter) U.S.A.	Th. metric tons	54.1	21.1	36.0	31.4	34.0	36.4	36.8	40.6	28.3	35.6	4.09	42.8	49.6	43.3	...	...
15. Stocks: U.S.A. (b)	"	49.7	159.4	117.0	121.1	53.3	37.1	68.0	67.8	57.6	32.1	32.5	37.1	42.0	...	...	...
16. Price: Soft Foreign, London (c)	£ per ton	23.25	11.90	23.33	15.26	14.69	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
17. " Pig, New York	cents per lb.	6.83	3.18	6.01	5.15	5.05	5.20	5.08	5.19	5.71	5.31	5.30	5.50	5.50	5.75	5.75	5.75
SPELTER																	
18. Production: (Smelter) U.S.A.	Th. metric tons	47.3	15.7	42.1	34.5	40.7	48.6	48.4	51.0	48.1	51.1	51.2	54.3	54.8	51.1	57.5	67.4
19. Stocks: U.S.A. (b)	"	70.1	113.2	58.8	116.3	59.9	11.7	50.8	65.4	71.1	22.0	16.7	11.7	11.7	11.7	6.3	6.3
20. Price: G.O.B. London (c)	£ per ton	24.88	13.58	22.25	13.98	14.16	25.75	25.75	25.75	25.75	25.75	25.75	25.75	25.75	25.75	25.75	25.75
21. " prime western, St. Louis	cents per lb.	6.51	2.88	6.52	5.03	5.11	6.34	5.53	5.75	5.75	7.25	7.25	7.25	7.25	7.25	7.25	7.25
TIN																	
22. Production: Bolivia	Long tons	3,862	1,715	2,083	2,114	2,268	3,162	2,323	2,282	2,705	3,615	4,784	4,584	3,150	4,019	4,578	4,578
23. (Exports)	"	2,993	1,307	3,315	3,262	2,619	3,704	2,756	4,798	2,222	4,486	4,265	5,267	3,275	3,852	4,619	4,608
24. " British Malaya	"	5,781	2,470	6,462	3,604	4,067	7,115	6,347	10,174	3,830	5,604	6,845	5,764	5,081	9,398	9,398	9,398
25. " Thailand (Siam)	"	828	772	1,365	1,125	1,414	1,811	1,400	1,234	1,583	1,529	1,962	1,107	1,263	1,455	1,467	1,467
26. " World	"	15,582	8,267	12,427	12,475	15,358	19,758	15,700	21,900	14,400	20,900	20,200	19,800	17,200	17,600	21,900	21,900
27. " Quota of Restricting Countries	% of std. quantity	...	42.8	107.12	53.8	73.8	115.0	120.0	120.0	80.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0
28. Consumption: U.K.	Thous. tons	2,518	1,512	2,164	1,524	2,273	2,435	2,450	2,347	2,275	2,303	2,123	2,198	2,672	2,155	2,691	2,691
29. " U.S.A.	"	7,208	2,938	7,222	4,224	5,939	6,625	6,600	9,244	7,855	11,820	12,505	9,358	12,760	12,195	16,092	13,955
30. " World	"	14,834	8,758	15,592	12,625	13,808	19,758	15,700	21,900	14,400	20,900	20,200	19,800	17,200	21,900	21,900	21,900
31. Stocks: U.S.A. (b)	"	2,820	4,496	6,385	5,157	3,502	9,125	2,078	2,635	2,964	6,023	4,362	9,170	9,442	7,489	5,195	5,195
32. World: Total stocks (b)	"	27,229	58,427	36,330	40,414	50,407	60,952	47,525	47,232	40,680	55,890	55,278	60,982	55,806	57,703	54,528	53,447
33. Price: Std. cash, London	£ per ton	203.3	9.13	136.23	189.6	226.3	226.3	243.0	251.9	232.3	258.1	258.4	257.0	259.8	265.2	270.3	270.3
34. " Straits, New York	cents per lb.	45.19	22.01	54.24	42.20	49.56	49.82	45.94	47.09	46.82	51.50	50.56	50.11	50.10	51.40	52.13	61.00
TEA																	
35. Exports: Ceylon	Million lb.	21.0	21.1	17.9	19.6	19.0	19.90	17.9	15.2	24.7	19.2	15.2	23.1	17.4	11.8	13.0	...
36. " Dutch East Indies	"	13.3	14.5	12.2	13.2	13.3	14.02	11.1	14.4	16.8	14.2	15.2	18.3	12.6	14.8	18.0	...
37. " British India	"	32.0	30.8	27.6	28.3	27.2	...	23.3	7.1	7.8	...	...	...	...	...	...	...
38. " World	"	80.6	77.7	73.7	77.0	76.9	...	72.4	61.9	...	...	...	...	...	...	...	...
39. " Quota of Restricting Countries (d)	% of std. quantity	...	...	87.5	92.5	95.0	92.5	95.0	95.0	92.5	92.5	92.5	92.5	92.5	92.5	92.5	95.0
RUBBER																	
40. Exports: D. E. Indies	Thous. tons	21.22	17.58	35.97	24.84	31.00	44.74	37.96	41.62	43.95	50.14	37.12	35.49	58.59	42.09	53.23	49.41
41. " British Malaya	"	38.05	33.89	39.16	31.00	31.40	45.03	45.65	47.89	24.61	37.76	36.05	66.26	37.80	27.12	56.65	41.21
42. " World	"	72.20	59.05	94.59	74.58	83.75	116.00	113.87	111.49	87.01	127.08	99.82	128.41	125.37	89.24	139.16	114.89
43. " Quota of Restricting Countries	% of est. capacity	...	...	83.75	55.00	58.75	83.75	80.0	80.0	80.0	80.0	90.0	90.0	100.0	100.0	100.0	100.0
44. Consumption: U.K.	Thous. tons	6.02	6.50	9.65	8.91	10.23	12.25	11.03	12.22	12.55	12.50	12.50	12.50	12.50	12.50	12.50	12.50
45. " U.S.A.	"	38.95	28.08	45.3	36.42	49.33	61.59	49.83	50.19	56.48	54.65	56.54	54.23	61.02	66.82	70.87	70.87
46. " All Principal Countries	"	67.12	57.70	90.06	77.90	91.61	87.84	55.54	54.77	29.48	58.85	58.15	61.02	66.82	70.87	70.87	70.87
47. " Recd. in U.S.A.	"	118.6	379.0	292.2	150.07	147.17	155.88	134.77	150.93	16.39	16.39	16.39	16.39	16.39	16.39	16.39	16.39
48. Stocks: U.S.A. end year	Thous. tons	112.5	2.31	9.57	2.99	12.5	31.8	13.4	14.2	16.2	25.9	17.04	17.11	18.40	17.79	19.15	19.15
49. Price: London, st. sm. sheet	pence per lb.	20.5	3.4	19.3	14.6	17.5	19.0	12.66	12.66	11.7	11.03	11.82	11.82	11.82	11.82	11.82	11.82
50. " N. York, st. sm. sheet	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...

COMPANY MEETINGS

J. LYONS & COMPANY, LIMITED

SATISFACTORY RESULTS IN A DIFFICULT YEAR

DIVIDEND MAINTAINED

SIR ISIDORE SALMON'S STATEMENT

The forty-seventh ordinary general meeting of J. Lyons and Company, Limited, was held on the 23rd instant at the Trocadero Restaurant, London, W.

Sir Isidore Salmon, C.B.E., D.L., J.P., M.P. (one of the managing directors), presided.

REPORT OF THE DIRECTORS

The directors have the pleasure to submit their forty-seventh annual report, with a balance-sheet and profit and loss account, made up to March 31st last, showing the financial position of the company at that date.

The volume of business though not fully maintained may be considered satisfactory in the difficult circumstances.

The balance of trading account after providing reserve for contingencies (including additional taxes and war damage premiums) is

To which is to be added the amount brought forward from last year

Showing available for distribution a total of

From this total the following dividends have been paid or provided:—

On preference and preferred ordinary stock to March 31, 1941

On ordinary, "A" ordinary and proportional profit stock and "B" proportional profit shares—interim paid December 7, 1940

And the directors propose to deal with the balance as under:—

To pay a final dividend of 3s. per £1 unit on the ordinary and "A" ordinary stock, making 4s. for the year

To pay a final dividend of 7.2d. per £1 unit or share respectively on the proportional profit stock and "B" proportional profit shares, making 9.6d. for the year

Leaving to carry forward to next account

The dividends received from subsidiary companies have been included in the company's trading account. In the aggregate the results of the subsidiary companies' trading show a profit. Losses of subsidiary companies so far as they concern this company have been dealt with in this company's accounts.

Messrs S. I. Salmon and A. H. Salmon retire from the office of director and being eligible offer themselves for re-election.

Messrs L. H. Lampitt and J. M. E. Sierra, employé directors, retire and are eligible for re-election.

Messrs Turquand, Youngs, McAuliffe and Company, the auditors, retire and are eligible for re-election.

(Signed) ISIDORE SALMON

Cadby Hall, London, W. 14.

June 10th, 1941.

HARRY SALMON
Managing Directors.

CHAIRMAN'S STATEMENT

The chairman's statement, which had been circulated with the report and accounts, and which was taken as read, was as follows:

I am sending, with the report and balance-sheet, this short statement on the affairs of the company, instead of following the normal practice of addressing shareholders at the meeting. The proceedings, on that occasion, will be confined to the usual resolutions which the Companies Act requires to be submitted. This course will save time, and I am sure shareholders will agree with it.

SATISFACTORY FIGURES

The figures in the accompanying report and accounts, showing the condition of the company's business at the end of the forty-seventh year of trading, you will, no doubt, consider satisfactory in the circumstances under which we have been working, notwithstanding that the balance of trading account is some £130,000 less than last year. This reduction is partly due to the fact that the contingency reserves have had to be increased by provision for war damage contributions and premiums and additional taxes. The amount of war damage contributions, etc., appropriate to the period prior to April 1st, 1940, has been written off against previous contingency reserves.

As we have said in the report, the volume of business has not been fully maintained. In present circumstances the business we can do is primarily controlled by the quantities of raw commodities available; and restriction of such supplies has naturally affected it in the year under review. Loss of staff and difficulties of transport have affected it, too.

SUBSTANTIAL RESOURCES

The year has been a trying one, but its anxieties have been faced with determination by those who serve the company, with the result you see. The dividend has been maintained, and we begin the present year's trading with a balance to the credit of profit and loss account of £320,000, which, together with our reserves, forms a substantial pool from which to meet any extraneous demands the future may make upon us.

As comparative figures are set out in the balance-sheet there does not appear to be any need to refer in detail to the differences. In only three items on the assets side—"Freehold land, buildings, etc.," "Stock-in-Trade," and "Debtors"—are the differences substantial, but these arise from the special circumstances of the time on which I do not think it necessary to comment.

"MUNITIONS FOR THOSE WHO MAKE MUNITIONS"

The Minister of Food has said that "the production of food is as important as the production of munitions" and that "every worker, man or woman, in the food industry can make a vital contribution to victory." We feel we can claim, therefore, that, with our large manufacturing capacity and our highly organised system of distribution, covering all parts of the British Isles, we are rendering a national service. We make munitions for those who make munitions; and the demand for our goods does not lessen day by day, but rather increases. That we cannot fully meet that demand is due to two things to which I have already referred—restriction of supplies and the difficulty of maintaining the necessary labour force—both of them arising, of course, from the exigencies of war conditions.

We have been called upon—and have welcomed the opportunity—to render advice and assistance to various Government Departments and to local and other authorities, in many of the problems

of food production and distribution with which they have been confronted, and in respect of which our experience and knowledge have been, we believe, of value to them.

WAR SERVICES OF STAFF

We have continued to give financial assistance to a large number of our employees serving in the Forces. To them all we convey our good wishes and our hope for their safe and speedy return. Our staff has not only worked with unflinching zeal, but has responded loyally to the calls inevitably made upon them for fire-watching, ARP, and other special duties. On occasions of danger and special difficulty, they have displayed that spirit of fortitude which has been so characteristic of the people of this country at the present time. Our National Savings Group, of which I told you last year, has continued to function with remarkable success.

Obviously, I cannot say anything of the future prospects in these somewhat anxious days; but we look forward with cheerful hope to the time when, having achieved victory (as I am confident we shall), we can return to normal trading, and progress to greater heights of prosperity.

The adoption of the report and accounts and the payment of the recommended dividends was moved by the chairman, seconded by Mr Harry Salmon, J.P. (one of the managing directors), and carried unanimously.

The retiring ordinary directors (Mr S. I. Salmon and Mr A. H. Salmon) and employee directors (Mr L. H. Lampitt and Mr J. M. E. Sierra) were re-elected; and the auditors (Messrs Turquand, Youngs, McAuliffe and Company) were reappointed.

The proceedings terminated with a vote of thanks to the directors and staff.

ODHAMS PRESS LIMITED

PROBLEM OF PAPER SUPPLIES

The twenty-first annual general meeting of Odhams Press, Limited, was held, on the 26th instant, in London.

Lord Southwood of Fernhurst (chairman and managing director), after dealing with the items in the accounts, said that it would be of interest to the shareholders to note that while the copyrights, in the opinion of the directors, stood at a very conservative valuation, the general reserve fund now practically equalled the total of such copyrights.

One of their main problems in the year under review had been the supply of paper. When the Scandinavian countries were overrun in the early part of last year, all supplies of paper and pulp from that source had ceased. Up to that time the company had taken all its supplies from English mills, who, in their turn, depended mainly upon Scandinavian sources for their raw material. That paper problem had been carefully examined by the whole of the newspaper owners in this country, the result being that a company, the Newsprint Supply Company, Limited, had been formed by the newspaper proprietors for the purpose of the co-operative buying of newsprint manufactured in Canada and Newfoundland to supplement that which could still be produced by the home mills. Under that arrangement, those newspapers who had at the time large stocks of newsprint had generously agreed to pool their stocks for the benefit of those who had smaller or no stocks. Allocations were made to each user on a fair basis according to his needs.

Unless anything unforeseen happened, the present arrangements made as to stocks should enable newspapers to carry on for some considerable time.

The other problem was paper supplies for the weekly periodicals and magazines. The drastic reduction by Government Order had resulted in their not only having to reduce the sizes and number of pages but to suspend or amalgamate temporarily some of less important of their publications in order to preserve the good will of their more important properties.

The report was adopted and a dividend of 7½ per cent. as against 6 per cent. last year was approved.

Every year many hundreds of Companies publish Reports of their Annual General Meetings in *The Economist*, thereby reaching thousands of investors in the quiet of their own homes.

In time of war the value of this practice is greatly enhanced because *The Economist* provides valuable information which is not otherwise available to investors, who therefore read it more carefully than ever.

Full particulars of the charges for inserting these reports may be obtained on application to The Reporting Manager, *The Economist*, Brettenham House, Lancaster Place, W.C.2.

FORESTAL LAND, TIMBER AND RAILWAYS COMPANY, LIMITED

DISTRIBUTION OF 9 PER CENT.

The 35th ordinary general meeting of The Forestal Land, Timber and Railways Company, Limited, was held on June 26th in London.

The Rt. Hon. The Earl of Selborne, K.G., G.C.M.G., P.C. (vice-chairman), who presided, said:

The issued capital of the parent company remained unchanged, and the increases shown in the reserves did not call for special comment, except that the general reserve and dividend equalisation reserve had now reached the satisfactory figures of £1,450,000 and £500,000 respectively. The depreciation account in respect of investments in La Forestal Argentina was now down to £66,302, which meant that soon they would no longer be able to make transfers to the credit of profit and loss account from that taxed reserve, as explained in the speech from the chair in May, 1936.

They would observe that the 4½ per cent. ten-year notes had been eliminated from the balance-sheet. They were able to redeem the outstanding balance last December without weakening the financial position of the company. The premium and expenses of this operation, together £20,809, had been charged, of course, to revenue and represent a non-recurring item of expenditure. The increases in creditors and subsidiary companies were due to normal fluctuations.

Among the assets they would notice that La Forestal Argentina's second debenture now stood at £410,000, of which notice of redemption had been received for £320,000, leaving only £90,000 outstanding. That company had now repaid some £2,300,000 of its borrowed capital since its formation in 1931.

Whilst the trading results of La Forestal Argentina were not so good, owing to the closure of the continental markets, this was partly compensated for by the excellent results of the Natal Tanning Extract Company and the Calder and Mersey Extract Company.

RESULT OF YEAR'S WORKING

The liquid assets of the company showed only normal fluctuations, having regard to the circumstances of the time, and he had much pleasure in assuring them that the total of £1,362,962 contained no stagnant pools or backwaters, but was all active in the business or readily realisable. The profit and loss account showed total credits of £613,177 in comparison with £792,577 the previous year. That reduction was mainly due to the additional reserves deemed necessary by their subsidiary companies this year. The balance of profit carried to balance-sheet of £426,669 was available for distribution. The directors had paid the preference dividend and now recommended a final dividend of 3 per cent., less tax, and a cash bonus of 3 per cent., less tax, making a total distribution on the ordinary stock for the year 1940 of 9 per cent., less tax. That would leave the carry-forward £39,855 less than the amount brought in.

The past year had been one of unprecedented difficulty and under the circumstances stockholders had every reason to be satisfied with the results achieved. In South Africa, too, the year had been difficult owing to the many and grievous dislocations of trade caused by the war, but the South African industry was not dependent to the same degree on the custom of European markets and the repercussions of the loss of those markets had been felt there in consequence to a correspondingly lesser degree than in Argentina.

They had steadily continued the policy of endeavouring to be absolutely fair to the consumer by refraining from any increase of price not forced upon them by increases in the cost of production or transport, and that attitude had been appreciated by His Majesty's Government, who had in consequence imposed upon them the least possible degree of restraint and regulation.

He would like to take this opportunity of acknowledging the sympathy and consideration they had met with at the hands of Dr. Snow, the Leather Controller. They would continue in the future, as in the past, to co-operate with His Majesty's Government in every field to the utmost of their power.

During these times members would agree with the board that this company owed a tremendous debt of gratitude to the Services, and more especially to the Merchant Navy. They had accordingly allocated a sum of £5,000 to various war funds and to funds specially benefiting merchant seamen and their dependents, which would be charged in the current year's accounts.

The results they had been able to secure could not have been obtained without exceptional efforts from all, to whom their cordial thanks were due.

The report was unanimously adopted.

diamond drilling is in hand to determine more closely the location of the lodes.

It is unnecessary for me to refer in detail to the increases in British taxation, of which we must all bear our share, but in Australia new taxes have been brought into force of which I think you should have some details. They are as follows:—

(a) Super tax of 1s. in the £ on taxable income in excess of £5,000.

(b) War time company tax, on a sliding scale based on the capital employed in the business from which the profit arose.

(c) Undistributed profits tax at the rate of 2s. in the £.

I must also refer to the provisions of the new Federal Income Tax Act, under which a dividend tax is payable not only by individual non-resident shareholders, but also by non-resident companies, this being in addition to the federal tax payable by Zinc Corporation itself. I do not wish to refer to this in detail, but it appears likely that in the event of the Federal authorities failing to collect the amount of the assessed tax direct from non-resident shareholders, they can call on Zinc Corporation to pay the tax on behalf of the assessed non-resident shareholders.

There are certain abatements to which shareholders other than companies are entitled, and for this reason we have asked nominee companies on our registers, if possible, to supply the details of their clients who have received these dividends from them so that the necessary abatements may be claimed.

The year 1940 marks the first full period of operation of the new equipment, and the record tonnage mined and successful operation of all new plant are sufficient in themselves to prove the care and foresight that has been applied in their design and layout. I would like to congratulate Mr W. S. Robinson on his vision in their planning, and with him our mine manager, Mr A. J. Keast, and his staff, as well as Messrs Bewick, Moreing and Co., our consulting engineers, on their completion and the results that have been attained.

I must also express our appreciation of the work of Mr J. Fitzgerald, the manager, and Mr Hotchin, the secretary, of the Melbourne office, as also that of Mr J. B. R. Challen, our secretary in London.

NEW BROKEN HILL CONSOLIDATED

The 5th ordinary general meeting of New Broken Hill Consolidated, Limited was held on the 25th instant in London.

The following is an extract from the statement by the chairman (Mr J. R. Govett), circulated to the stockholders with the report and accounts:—

Dealing first with the work on the Zinc Corporation property, in the past year sinking of the New Main Shaft was resumed below the No. 16 level, and has been advanced in the current year to a depth of 2,440 ft., where the No. 17 level is now being opened up. Steady progress was made with the advance of the deep southern drives; the main south drive on the No. 14 level was driven to the boundary and connection was made with the boundary winze. Payable ore continued on this level to within 320 ft. of the boundary. On the No. 15 level diamond drilling indicates that the wide ore exposures on the No. 14 level, opposite the New Main Shaft, are fully maintained at this increased depth, whilst preliminary drilling and driving on the No. 16 level give like indications.

On the New Broken Hill property the airshaft (main downcast airway), was extended in country rock a further 538½ ft. to a total depth of 1,648 ft. The exploratory work completed in the year consisted of eight diamond drill holes. In the current year an enlarged programme of exploratory work on both properties is in hand, to determine more closely the location of the narrow and broad lead lodes along the southern extensions in depth. This programme includes drilling in the upper ground for the narrow lead lode, deeper drilling on the broad lead lode and drilling between the White Leads and the Rising Sun shafts some two miles further south. Steady progress is being made with the further sinking of the airshaft, and with the Zinc Corporation New Main Shaft, from which the southern drives to the boundary are being advanced.

I am as yet unable to indicate to you any date when production can be commenced, for, until the present drilling programme has been completed and the resulting information obtained, no forecast is possible.

RUBBER PLANTATIONS INVESTMENT TRUST, LIMITED

DIVIDEND OF 10 PER CENT.

The 32nd ordinary general meeting of the Rubber Plantations Investment Trust, Limited, was held on 25th instant in London, Mr H. J. Welch (the chairman) presiding.

The following are extracts from the chairmans address which was circulated with the annual report:

The net profit balance of £188,446 was slightly less than in 1939. The balance-sheet shows the cost of our investments at December 31st last to have been £3,171,295, which figure exceeded the then valuation by £358,897, against which may be set our reserves and profits to be carried forward, amounting to £601,011. Present-day values of investments in the two industries with which we are mainly concerned have been for some time purely nominal.

Our 234 investments are well spread, both territorially and agriculturally and with little variation from their distribution in 1939, 99 per cent. of the invested capital being held within the Empire or the N.E.I. The directors propose to pay a final dividend of 7 per cent., making 10 per cent. for the year.

The present abnormal situation and the frequent changes which take place emphasize how fortunate the tea industry is in possessing the International Tea Committee, which ensures that adequate supplies are available. It appears reasonable to anticipate a continuance of remunerative prices, but everything will depend upon the course of the war and particularly upon the freight position.

Throughout 1940 war conditions increasingly dominated the rubber-producing industry. The demand for reserve stocks, particularly in the United States, necessitated a continuous increase in the exportable percentage. The permissible exports for the year from the quota countries, excluding Thailand, amounted to 1,245,000 tons. The world absorption during 1940 seems to have been in the neighbourhood of 1,060,000 tons, excluding producing countries. The industry is fortunate in producing, on a remunerative basis, a necessity of the war effort both of ourselves and of our Allies and friends, and that by so doing and by the very large provision of Foreign Exchange and of taxation, it is making a notable contribution to our country's victory.

The report was unanimously adopted.

LONDON ASIATIC RUBBER AND PRODUCE COMPANY, LIMITED

ANNUAL GENERAL MEETING

The Annual General Meeting of the London Asiatic Rubber & Produce Company, Limited, was held in London on 25th instant.

In his address to the members the chairman said:

We have recently sold an outlying block of 266 acres of 33-year-old rubber, the soil of which was unsuitable for replanting. It is proposed to reinvest part or the whole of this money by purchasing shares in good rubber-growing Companies, which will give this Company, we believe, a more valuable interest in planted land than it possessed in the Division which has been sold.

If our recommendations concerning dividend, etc., are adopted, the issued capital will then represent £30 1s. 11d. per planted acre. But it includes net surplus liquid assets of £340,092, so that the net cost is just over £19 per planted acre, the lowest ever recorded.

Though the demand for rubber was sluggish at the beginning of the War period it developed rapidly, chiefly because the Government of the United States followed a policy of building up large reserve supplies of rubber in that country. These demands were readily met by relaxation of the restriction of output and as a result accountable crop for 1940 was 11,855,000 lbs. against 8,231,000 lbs. for 1939 and its average sale price was about 1d. per lb. higher, but no less than £125,000 has been set aside for Excess Profits Tax, reducing our credit balance for the year to £164,618.

The directors recommend transfer of £15,000 to General Reserve and of an equal sum to raise the Dividend Equalisation Reserve from £35,000 to £50,000. The latter Reserve will be used without hesitation when the occasion arises. The final Dividend of 6 per cent. recommended will, if approved, make the total for the year 10 per cent. as in each of the last two years. The sum remaining to be carried forward will then be £83,033.

The forward sales made for 1941 amounted to 1,104 tons, at prices averaging just over 11d. per lb. London equivalent. No sales have been made for 1942 delivery.

The Accounts were adopted unanimously.

THE LUNUVA (CEYLON) TEA AND RUBBER ESTATES, LIMITED

STRONG FINANCIAL POSITION

HELPING THE NATIONAL WAR EFFORT

MR. H. J. WELCH'S STATEMENT

The thirty-fourth ordinary general meeting of the Lunuva (Ceylon) Tea and Rubber Estates, Limited, was held in the Council Chamber of the Rubber Growers' Association (Incorporated), 19 Fenchurch Street, London, E.C., on Wednesday, the 25th instant, Mr H. J. Welch (chairman of the company) presiding.

The representative of the agents and secretaries (Messrs Harrisons and Crosfield, Limited) read the notice convening the meeting and the report of the auditors.

The following is the address of the chairman circulated with the directors' report and accounts, and which was taken as read:

Ladies and gentlemen,—It is advisable for many reasons that meetings of members during the emergency should be as brief as possible. I have therefore decided to circulate with the report for the year this statement to take the place of my usual address at the annual meeting.

BALANCE SHEET

There is no change to report in the issued capital of the company. In the item of sundry creditors there have been included the usual provisions for accruing liabilities and contingencies, such as taxation, furlough and passage expenses. The total cost of the estates now appears at £837,547 and the very valuable buildings, machinery, etc., stand in the balance-sheet at the nominal figure of £1.

SURPLUS ASSETS AND LOW COST PER ACRE

After deducting all liabilities, including the final dividend and the appropriations now proposed, the net surplus liquid assets shown on the balance-sheet amount to £212,977. The issued capital of the company is equal to about £53 13s. per planted acre of tea, rubber and coconuts, and if the net surplus liquid assets are deducted therefrom the net cost of the planted tea, rubber and coconut areas, buildings, machinery and equipment stand at less than £40 per acre. As you are aware, this is very considerably below the cost and replacement value of such planted areas and equipment. In arriving at this net figure no value has been placed upon the 2,570 acres of unplanted reserve lands.

PROFIT AND DIVIDEND

The company made a profit of £120,599 on tea, and £32,850 on rubber. Sundry receipts and interest yielded £7,475. After providing for the London expenses, the amount expended upon buildings, machinery, etc., and the sum set aside for Excess Profits Tax and Ceylon taxation, a credit balance of £111,441 was transferred from the profit and loss account to the balance-sheet.

We recommend an appropriation to taxation reserve of £53,000. It is estimated this sum, together with our other taxation reserves, will cover all our liabilities for home and Ceylon taxation for the current financial year, which are assessable in relation to last year's profits. The board also proposes that, in addition to the company's usual contribution to the staff retirement fund under its rules, a special grant of £2,500 should again be made this year to that fund.

In December last we paid an interim dividend of 4 per cent., and the proposed final dividend of 6 per cent. (both payments being subject to deduction of tax) will make 10 per cent. for the year. The allowance in income-tax deduction makes the dividend equal to 12.83 per cent. for the year. The balance carried forward will be slightly increased to £80,410.

CROPS, COSTS AND PRICES

As compared with 6,309,554 lbs. in the previous year, the restricted tea crop for last year amounted to 6,735,078 lbs.

The f.o.b. cost of production was 9.10d. per lb., or .82d. more than in the previous year, due to increase in cost of upkeep, manufacture and distribution, general charges and Ceylon income-tax. The average net price realised for the exportable crop was 1s. 2.59d. per lb., as compared with 1s. 2.26d. per lb. last year.

The rubber crop amounted to 1,678,484 lbs., an increase of 783,765 lbs. over the previous year.

The f.o.b. cost of production was .56d. per lb. less than for the previous year, and the average price realised for the exportable crop was 9.72d. per lb.

LABOUR, AGENTS AND STAFF

The labour position continues to be satisfactory. Our cordial thanks are again due to our agents, Messrs Harrisons and Crosfield, Limited, our visiting agents, and our very devoted and efficient staff, for the valuable services rendered to the company during the year.

The staff retirement fund operates under a mutual contributory scheme. Although it has only been in force for 13 years, its investments—which are held outside the company's assets in the name and under the control of a trustee company—are valued at over £41,800. In the apportionment among the staff of the special grant of £2,500 to the fund, the directors will again have regard partly to age and years of service and partly to other considerations.

PROSPECTS FOR THE CURRENT YEAR

The company's basic tea assessment for 1940-41 is estimated at 7,469,000 lbs., and for rubber at 2,480,000 lbs. We have budgeted to produce during the current year about 6,111,300 lbs. of tea and 1,700,000 lbs. of rubber.

As mentioned in the report, we have sold the major part of our 1941 exportable tea crop to the Ministry of Food, and 828,800 lbs. of rubber has been sold forward for delivery ex godown during 1941 at just under 9d. per lb. net.

I dealt with the general position and prospects of the tea and rubber producing industries in my address to the members of the Rubber Plantations Investment Trust, and a copy of that address can be obtained on application to the secretaries.

We are fortunate in producing necessities for the national war effort and to be engaged in industries which, by heavy production, taxation and in other ways, are playing a very useful part in winning the war. While we cannot foresee what demands the emergency may yet make upon us, the financial position of the company is a strong one and should enable it to meet successfully any adverse conditions which may ensue from the war.

The chairman then moved the adoption of the report and accounts and the payment of the final dividend as recommended.

Mr H. W. Horner (vice-chairman) seconded the resolution, and it was carried unanimously.

The retiring director, Mr G. N. Thomson, was re-elected; the auditors, Messrs Turquand, Youngs, McAuliffe and Company were reappointed; and the proceedings terminated with a vote of thanks to the chairman and directors and also to the managers, and staff in the East.

Will Readers note that *The Economist's*
Telephone No. is now
TEMPLE BAR 3316

FORSTER'S GLASS COMPANY, LIMITED

DISTRIBUTION INCREASED TO 15 PER CENT.

The following is a summary of the speech to be made at the 22nd annual general meeting of Forster's Glass Company, Limited, to be held on July 3rd next at the May Fair Hotel, London, W., by Colonel C. E. Ponsonby, T.D., M.P., the chairman of the company.

After paying a tribute to the good work of the staff and employees of the company, in which a very heavy burden had been borne by managers and foremen in training the influx of new labour, and pointing out that the loss of any more of the company's man power would mean the loss of production, as there were many jobs in their business which could not be done by women, he said that the profit for the year, after meeting all expenses and providing for taxation, was £47,826 as against £50,714. In view of the many difficulties and rising costs, the directors considered the results to be satisfactory. Of the amount available for distribution—£52,835—there had been transferred to reserve £12,000—£5,000 to reserve account and £7,000 towards meeting deferred repairs. During the war the Board had had to restrict maintenance work on mould upkeep, and consequently when the company was able to resume its normal work in this department they would be faced with considerable expenditure.

The directors had for many years pursued a conservative policy, and, in order to strengthen the financial position of the company, had not only written off large sums for depreciation, but also built up a very substantial reserve. In view of the present satisfactory financial position of the company, the board felt justified this year in distributing a larger amount to the ordinary shareholders, and recommended a distribution of 10 per cent. with a cash bonus of 5 per cent., both less tax, making a total of 15 per cent. for the year as against 11 per cent. last year.

The volume of their sales had been very satisfactory and progress in the export trade of empty bottles was continuing to grow satisfactorily. As to the future, all he could say was that so far production and sales were continuing on a very satisfactory level.

BARRY AND STAINES LINOLEUM, LIMITED

SIR JOHN N. BARRAN'S SPEECH

The meeting of Barry and Staines Linoleum, Ltd., was held on the 24th instant in London.

Sir John N. Barran, Bt. (chairman), who presided, said: In Europe the collapse of France transferred the Rouen factory to enemy hands, and we have earmarked a sum in our reserve funds to cover that asset and all contingent liabilities involved. On the Continent our export trade for the moment is at an end—we have made further large provision for debts in enemy-occupied countries.

At home the full savagery of air raids and burning has been let loose—we have met this by a division of our staff to ensure continuity, and by special steps to give relief to our London workers from the strain under which they have gallantly carried on and helped (happily with success so far) to watch our places of business. You can realise the extent of the expense and operating difficulties which these events have laid upon us.

The progress of recruiting has further reduced our staffs; raw materials have risen in cost and passed under closer control; insurance in all its forms against war risks and damage mounts all the time as a charge upon our workings, while the normal channels of trade are more and more restricted by the drastic reduction of sales quota, purchase tax, and the Government scheme for the concentration of industries.

The results of all these influences are shown in the figures before you, which, after all I have said, call for little further comment or quotation. Our dividend from Canada is much reduced, as our holding company's account shows. Business there has been active but charges heavy. The many forms of expense laid upon us for the maintenance and protection of our manufacturing and proper care for our employees' safety and interest have, of course, had a serious effect on profits, and it is my belief that, taking all into account, you will not be dissatisfied with our dividend proposal.

The report and accounts, with the recommendation of a final dividend, making, with the interim dividend already paid, 10 per cent. for the year, were unanimously adopted.

CABLE AND WIRELESS LIMITED

(The Operating Company)

DIVIDEND OF 4 PER CENT.

The twelfth ordinary general meeting of Cable and Wireless, Limited (the Operating Company), was held on 26th inst. at the registered office, Electra House, Victoria Embankment, London, W.C.

Sir Edward Wilshaw, K.C.M.G. (chairman and managing director) presided.

The secretary (Mr E. K. Jenkins, F.C.I.S.) read the notice convening the meeting and the report of the auditors.

The chairman said: Gentlemen, the accounts for the year ended December 31, 1940, disclose a profit for the year of £2,375,771, after providing £131,021 for cable renewals and £164,000 for amounts written off the cost of terminating a joint purse agreement and other expenditures. Adding the balance brought forward from 1939, £437,836, there was a sum of £2,813,607 available. The interim dividend of 1½ per cent. already paid, together with a final dividend of 2½ per cent., making 4 per cent. for the year, absorbs £1,200,000, leaving £1,613,607 to be carried forward to the next account, and this sum is available for any excess profits tax which may be assessed and for other payments.

It is not yet possible to estimate the company's liability to Excess Profits Tax, the determination of which depends upon the basis of assessment which may finally be applied to Cable and Wireless (Holding), Limited. Until this question is settled no provision can be made for the amount of tax to be apportioned to this company.

It is with deep regret that I have to record the death of the Right Hon. Lord Abertay of Tullybelton, which occurred on December 6, 1940. Lord Abertay, more widely known as Sir Charles Coupar Barric, was one of the first directors of the company, having previously been a director of Marconi's Wireless Telegraph Company, Limited. His experience and judgment were invaluable, and in his passing the directors have suffered the loss of a colleague of great gifts and personality.

It is with profound regret that I have to record that during the past year some members of the staff lost their lives through enemy action. Engaged as they are in a service which maintains the lines of communication of the Empire, some of the staff are necessarily carrying on their duties in perilous conditions at many points, and in expressing our deep sorrow at the loss of these brave men we recall with pride the courage and tenacious devotion to duty with which they and all their colleagues have maintained the highest traditions of the service.

In the light of existing conditions I am prevented from making my usual world-wide review of the company's activities. This meeting is therefore formal and confined to the formal resolutions.

The chairman then moved: "That the printed report of the directors and accounts for the year ended on December 31, 1940, submitted to this meeting, be and they are hereby received and adopted, and that a final dividend of 2½ per cent., less income tax, making with the interim dividend of 1½ per cent., less income tax, already paid a total dividend of 4 per cent., less income tax, for the year ended December 31, 1940, be paid on June 27, 1941, on the shares of the company to all shareholders whose names appear on the company's register on such last-mentioned date."

The Rt. Hon. Lord Pender seconded the resolution and it was carried unanimously.

The auditors, Messrs. Deloitte, Plender, Griffiths and Company, were reappointed and the proceedings then terminated.

THE BRITISH ELECTRIC TRACTION COMPANY, LIMITED

RECORD WORKING PROFIT

The forty-fifth ordinary general meeting of this company was held on the 20th instant in London, Mr. R. J. Howie, C.B.E. (deputy chairman) presiding.

The Deputy Chairman, in the course of his speech, said: The results show a small increase of £2,678 in the gross revenue. The amount of £748,552 is again a new high record for the company. The working profit exceeds that shown for the previous year by £3,075.

As the board considered it advisable to set aside £70,000 (as against £50,000 provided in the accounts last year) as a provision

against excess profits tax, the net profit is £16,925 less than last year.

Our investments stand at £6,894,669, a decrease of £44,345; more than half of this decrease is due to the repayment of a loan by one of our subsidiary companies. On the other hand, our cash resources show an increase of £110,486. It may be of interest to you to know that of our total investments, roughly 70 per cent. of the amount represents businesses which we administer directly or through the British Electrical Federation, and 30 per cent. represents outside investments.

Mr. Austen, in his speech last year, referred to the margin of some £80,000 which remained after the dividends recommended had been provided for. The actual margin this year, you will notice is just over this figure. As regards our inside investments,

I see no reason why there should be any material change in the gross income earned during the current year.

We see from time to time in the Press the view expressed that all public road transport should be nationalised. It would, in my opinion, be a sorry day for the public if this should take place. Under the organisation which we have set up, our various public utility undertakings are operated by separate companies. This has proved efficient, especially under the test of war time, because of the decentralisation of executive control, which allows of quick decisions and the best use of available vehicles.

A dividend at the same rate as for the previous year is recommended to be paid on the Deferred Ordinary stock, which I think in the circumstances of the times must be considered satisfactory.

The report and accounts were unanimously adopted.

COMMODITY AND INDUSTRY NEWS

Pottery Industry Concentration.

Pottery firms applying for nucleus status have hitherto been required to show that they have made arrangements under which, when 30 per cent. of the labour employed on April 1st in the factories concerned has been withdrawn for munitions work, the nucleus factories i.e., the factories remaining in production, will continue to operate at the full capacity of their plant and premises. It has now been decided to admit applications from pottery firms that show that under their concentration arrangements nucleus factories remaining in production will be operating at not less than 75 per cent. of capacity after the release of 30 per cent. of the labour employed on April 1st in all the factories involved under the particular concentration arrangement. Applications will, of course, have to satisfy the other conditions laid down in the White Paper. Applications must be received on or before Monday July 7th.

More Maximum Food Prices.

Canned baked beans, spaghetti, macaroni and vegetable salad prices were controlled on June 23rd under the Canned Vegetable and Vegetable Products (Maximum Prices) Order. Prices have been fixed for first-hand sales, wholesale

and retail sales, varying according to size of container. For example, baked beans vary on a first-hand sale from 3s. per dozen for 8-oz. cans to 10s. for 32-oz. cans; the wholesale price is 3s. 4d. to 10s. 9d. and the retail price 4d. to 1s. 1d. Home-grown tomato prices were controlled from June 22nd; the growers' price is 9d. per lb.; wholesale prices are 10s. 5d. to 13s. 8d. per package of 12 lbs., varying according to the function of the wholesaler; retail prices are from 1s. 2d. to 1s. 7d. according to distance from the producing centres. These prices will remain in force until July 13th, when lower prices are promised. Prices will fall gradually as supplies increase, and will be raised again in the autumn. A new schedule of dried peas and beans adds further varieties to the list of those controlled. Some varieties previously controlled are raised in price.

"THE ECONOMIST" SENSITIVE PRICE INDEX (1935 = 100)

	June 19, 1941	June 20, 1941	June 23, 1941	June 24, 1941	June 25, 1941
Crops	108.6	108.6	108.6	108.6	108.7
Raw materials	170.9	170.8	170.8	170.7	170.7
Complete Index	136.2	136.2	136.2	136.1	136.2

	Mar. 31, 1937*	Aug. 31, 1939	June 25, 1940	May 26, 1941	June 18, 1941
Crops	147.9	92.2	106.1	108.5	108.5
Raw materials	207.3	122.9	170.7	171.0	171.0
Complete Index	175.1	106.4	134.6	136.2	136.2

	Mar. 31, 1937*	Aug. 31, 1939	June 25, 1940	May 26, 1941	June 18, 1941
Crops	147.9	92.2	106.1	108.5	108.5
Raw materials	207.3	122.9	170.7	171.0	171.0
Complete Index	175.1	106.4	134.6	136.2	136.2

	Mar. 31, 1937*	Aug. 31, 1939	June 25, 1940	May 26, 1941	June 18, 1941
Crops	147.9	92.2	106.1	108.5	108.5
Raw materials	207.3	122.9	170.7	171.0	171.0
Complete Index	175.1	106.4	134.6	136.2	136.2

* Highest level reached during 1932-37 recovery.

MERCHANT SHIPPING LOSSES THROUGH ENEMY ACTION

	Mar. 1941	Apr. 1941	May 1941	Sept. 1939	Sept. 1940
British:—					
Merchant ships	338	338	355	1,497	2,638
Normal trading	...	...	...	107	...
Naval operations	5	17	28	151	115
Naval auxiliaries	1	1	1	17	14
Naval trawlers	...	...	...	...	...
Total	344	356	384	1,832	2,767
Allied	141	221	92	510	901
Neutral	27	22	14	790	200
Grand Total	512	599	490	3,132	3,868

(Thousand gross tons)

	Mar. 1941	Apr. 1941	May 1941	Sept. 1939	Sept. 1940
British:—					
Merchant ships	338	338	355	1,497	2,638
Normal trading	...	...	...	107	...
Naval operations	5	17	28	151	115
Naval auxiliaries	1	1	1	17	14
Naval trawlers	...	...	...	...	...
Total	344	356	384	1,832	2,767
Allied	141	221	92	510	901
Neutral	27	22	14	790	200
Grand Total	512	599	490	3,132	3,868

* Evacuation of B.E.F. June, 1940; losses in naval operations off Greece and Crete ports not revealed as separate total.

† Formerly commercial vessels, including drifters.

AMERICAN WHOLESALE PRICES

	June 17, 1941	June 24, 1941	June 17, 1941	June 24, 1941	June 17, 1941	June 24, 1941
	Cents	Cents	Cents	Cents	Cents	Cents
RAINS (per bushel)—						
Wheat, Chicago, July	100 1/2	102 1/2				
Winnipeg, July	77 1/2	77 1/2				
Maize, Chicago, July	73 1/2	73 1/2				
Oats, Chicago, July	35 1/2	36 1/2				
Rye, Chicago, July	56	56 1/2				
Barley, Winnipeg, July	49 1/2	51 1/2				
METALS (per lb.)—cont.						
Spelter, East St. Louis, spot	7-25	7-25				
MISCELLANEOUS (per lb.)—						
Cocoa, N.Y., Acra, July	7-84	7-62				
Coffee, N.Y., cash—						
Rio, No. 7	8 1/2	8 1/2				
Santos, No. 4	11 1/2	11 1/2				
Cotton, N.Y., Am. mid. spot	14-97	15-35				
Cotton, Am. mid., July	14-20	14-52				
Cotton Oil, N.Y., July	11-75	12-55				
Lard, Chicago, July	10-32 1/2	10-72 1/2				
MISCELLANEOUS (per lb.)—cont.						
Petroleum, Mid. cont. crude, per barrel	117	117				
Rubber, N.Y., smkld. sheet spot	21 1/2	21 1/2				
Sugar, N.Y., Cuban Cent., 96 deg. spot	3-50	3-50				
Sugar, N.Y., 96 deg., No. 4, Mo. Cuba, July	0-88 1/2	0-99				
Moody's Index of staple commodities, Dec. 31, 1931=100	198-5	202-0				

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended June 21, 1941, total ordinary revenue was £25,902,000, against ordinary expenditure of £87,749,000, and issues to sinking funds of £130,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £695,530,000 against £447,512,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	April 1 to June 22, 1940	April 1 to June 22, 1941	Week ended June 21, 1941	Week ended June 21, 1940
ORDINARY REVENUE				
Income Tax	21,024	71,341	44	8,057
Sur-tax	6,200	7,469	20	644
Estate, etc., Duties	20,600	22,065	2,250	2,230
Stamps	3,570	2,440	1,020	700
N.D.C.	4,070	3,577	370	308
E.P.T.	4,720	37,235	1,130	4,883
Other Inland Rev.	90	115	...	...
Total Inland Rev.	60,274	144,242	4,834	16,822
Customs	64,751	75,045	5,950	8,248
Excise	36,100	41,900	9,794	1,800
Total Customs and Excise	100,851	116,945	15,744	10,046
Motor Duties	5,538	4,898	110	...
P.O. (Net Receipt)	2,950	1,000	Dr 3,750	...
Crown Lands	240	230	...	...
Receipts from Sundry Loans	423	807	65	...
Miscellaneous Receipts	4,590	12,892	476	2,184
Total Ord. Revenue	174,866	281,014	18,279	25,902
SELF-BALANCING				
Post Office & Broadcasting	18,150	21,800	4,300	4,850
Total	193,016	302,814	22,579	30,752

Expenditure	April 1 to June 22, 1940	April 1 to June 22, 1941	Week ended June 21, 1941	Week ended June 21, 1940
ORDINARY EXPENDITURE				
Int. and Man. of National Debt	77,695	85,385	1,239	2,645
Payments to N. Ireland	1,205	1,228	...	...
Other Cons. Fund Serv.	430	414	54	54
Total	79,420	87,027	1,293	2,699
Supply Services	541,629	888,141	57,320	85,050
Total Ord. Expenditure	621,049	975,168	58,613	87,749
SELF-BALANCING				
Post Office & Broadcasting	18,150	21,800	4,300	4,850
Total	639,199	996,968	62,913	92,599

After increasing Exchequer balances by £322,864 to £2,794,339, the other operations for the week (no longer shown separately) raised the gross National Debt by £62,680,932 to about £12,106 millions.

NET ISSUES (£ thousands)	
P.O. and Telegraph	200
Overseas Trade Guarantees	15
Anglo-Turkish Armaments	167
	382

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1st, 1941, to June 21, 1941, are:—

(£ thousands)	
Ordinary Exp.	975,168
Misc. issues (net)	3,290
Ord. Revenue	281,014
Gross borr.	698,958
Less—	
Sinking fds.	1,376
Net borrowing	697,582
Inc. in balances	168
	978,596

FLOATING DEBT

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1940				
June 22	755-0	861-1	42-3	1658-4
Mar. 15	845-0	Not available	...	...
Mar. 22	845-0	Not available	...	...
Mar. 31	845-0	Not available	...	...
Apr. 5	845-0	Not available	...	...
Apr. 12	845-0	Not available	...	...
Apr. 19	845-0	Not available	...	...
Apr. 26	845-0	Not available	...	...
May 3	845-0	Not available	...	...
May 10	845-0	Not available	...	...
May 17	845-0	Not available	...	...
May 24	845-0	Not available	...	...
June 7	845-0	Not available	...	...
June 14	845-0	Not available	...	...
June 21	845-0	Not available	...	...

TREASURY BILLS

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate	Per Cent. Allotted at Min. Rate
1940					
June 21	65-0	97-6	65-0	20 4-97	60
Mar. 7	65-0	151-2	65-0	20 0-17	42
Mar. 14	65-0	153-8	65-0	20 11-79	24
Mar. 21	65-0	131-6	65-0	20 2-08	17
Mar. 28	65-0	148-3	65-0	20 2-48	28
Apr. 4	70-0	194-7	70-0	20 2-41	28
Apr. 11	70-0	156-6	70-0	20 2-72	30
Apr. 18	75-0	161-8	75-0	20 2-63	30
Apr. 25	75-0	168-9	75-0	20 2-20	22
May 2	75-0	170-4	75-0	20 0-17	11
May 9	75-0	160-5	75-0	20 0-17	40
May 16	75-0	154-7	75-0	20 0-18	38
May 23	75-0	141-8	75-0	20 0-59	44
May 30	75-0	145-1	75-0	20 1-06	47
June 6	75-0	156-1	75-0	20 0-22	34
June 13	75-0	166-5	75-0	19 11-88	26
June 20	75-0	158-5	75-0	20 0-15	31

On June 20th applications at £99 14s. 11d. 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 15s. 0d. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury bills are being offered on June 27th. For the week ending June 28th the banks will be asked for Treasury deposits to a maximum amount of £30 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BONDS SUBSCRIPTIONS

Week ended	N.S.C.	3% Def. Bonds	New 2½% Bonds	3% Savings Bonds
May 13	5,370	4,497	6,669	6,672
May 20	7,375	5,531	45,522	17,852
May 27	7,698	8,001	47,191	19,804
June 3	5,013	5,587	6,050	5,950
June 10	5,802	3,423	7,352	11,080
June 17	4,951	3,359	9,812	7,867
June 24	...	...	27,050	5,127
Totals to date	312,482	302,163	336,326	208,291

* 82 weeks. † 25 weeks.
Interest free loans received by the Treasury up to June 24th amounted to a total value of £34,438,519. Up to May 31st, principal of Savings Certificates to the amount of £36,922,000 had been repaid.

BANK OF ENGLAND RETURNS

JUNE 25, 1941

ISSUE DEPARTMENT

Notes Issued	Govt. Debt
In Circulation	11,015,100
In Bank of England	668,234,516
Department	2,491,439
	258,951
	680,000,000
	241,574
	680,241,575

BANKING DEPARTMENT

Props. Capital	Govt. Secs.
14,533,000	137,942,8
Rest	3,279,922
Public Deps.	25,320,945
	6,912,2
	18,257,9
	25,170,2
	41,267,5
	1,073,286
	206,043,898

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

THE WEEK'S CHANGES

Both Departments	Amt. June 25, 1941	Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	638,984	+ 1,453	+ 38,890
Deposits: Public	25,321	+ 15,510	+ 32,644
Bankers	112,537	+ 9,878	+ 29,789
Others	50,354	+ 1,317	+ 2
Total outside liabilities	827,196	+ 5,768	+ 39,999
Capital and rest	17,833	+ 21	+ 58
COMBINED ASSETS			
Govt. debt & securities	815,192	+ 4,854	+ 37,894
Discounts and advances	6,912	+ 1,779	+ 2,200
Other securities	20,749	+ 947	+ 6,009
Silver coin in issue dept.	259	+ 246	+ 25
Coin and gold bullion	1,915	+ 148	+ 18
RESERVES			
Res. of notes and coin in banking department	42,931	+ 1,599	+ 13,356
"Proportion" (reserve to outside liabilities in banking dept.)	22.8%	+ 1.4%	+ 7.4%

COMPARATIVE ANALYSIS

	1940	1941
Issue Dept.		
Notes in circulation	602-2	637-2
Notes in banking department	28-1	43-1
Government debt and securities	628-2	677-5
Other securities	3-3	2-5
Silver coin	0-5	0-0
Gold, valued at s. per fine oz.	168-00	168-00
Deposits:		
Public	58-0	7-0
Bankers	82-7	122-7
Others	50-3	51-3
Total	191-0	181-0
Banking Dept. Secs.		
Government	151-1	29-1
Discounts, etc.	4-7	5-1
Other	23-5	19-8
Total	179-3	154-0
Banking depart. res.	29-5	44-8
"Proportion"	15-4	24-7

* Government debt is £11,015,100, capital £14,533,000. Fiduciary issues raised from £14,533,000 to £890 millions on April 30, 1941.

OVERSEAS BANK RETURNS

BANK OF CANADA.—Million Can. \$.

	May 29, 1940	May 14, 1941	May 21, 1941	May 28, 1941
ASSETS				
Reserve: Gold	12.6	182.9	191.8	189.6
Other	513.0	485.6	487.9	482.3
LIABILITIES				
Note circulation	226.1	375.3	375.7	377.6
Deposits: Dom. Govt.	48.5	82.2	73.4	74.1
Chartered banks	233.8	201.4	215.7	209.9

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

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s	April 29, 1940	Mar. 31, 1941	April 19, 1941	April 28, 1941
ASSETS				
Gold and stg. exch.	16.65	20.34	22.35	23.32
Advances to State	22.78	16.43	18.48	18.67
Investments	2.96	3.77	3.77	3.77
LIABILITIES				
Bank Notes	17.95	21.44	21.72	21.85
Demand liab. State	6.83	6.27	8.50	9.02
Banks and others	15.52	13.78	13.29	13.86
Reserves to sight liab.	41.3%	49.0%	51.4%	52.1%

BANK OF PORTUGAL

Million escudos.

	Jan. 22, 1941	Jan. 29, 1941	Feb. 5, 1941	Feb. 12, 1941
ASSETS				
Gold	1,239.5	1,251.6	1,251.6	1,251.6
Balances abroad	978.5	1,033.9	1,029.1	1,033.0
Discounts	362.8	365.7	358.9	358.2
Securities	329.6	324.1	324.1	324.1
LIABILITIES				
Notes in circulation	2,748.0	2,753.5	2,738.3	2,717.0
Deposits: Government	389.8	498.8	400.7	410.8
Bankers	954.7	945.1	988.1	1,047.0
Others	196.6	191.6	188.8	180.6
Foreign commitments	238.2	243.2	287.5	287.4

PRAGUE NATIONAL BANK

Million crowns

	May 15, 1940	April 30, 1941	May 7, 1941	May 16, 1941
ASSETS				
Gold	1,596	1,445	1,445	1,445
Foreign exchange	717	767	768	767
Other cash	2,372	1,231	1,245	1,314
Bills and securities	102	445	445	445
Advances	524	...	...	...
Other assets	5,218	8,429	8,563	8,530
LIABILITIES				
Note circulation	5,354	7,442	7,332	7,078
Cash certificates	1,241	1,315	1,355	1,392
Clearing deposits	1,421	1,642	2,073	2,194
Other liabilities	1,971	1,396	1,283	1,294

MONEY MARKET

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 169s. 0d. per fine ounce throughout the week.

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

Date	Cash	Two Months	Date	Cash	Two Months
June 19	23 ½	23 ½	June 24	23 ½	23 ½
" 20	23 ½	23 ½	" 25	23 ½	23 ½
" 23	23 ½	23 ½			

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended June 22, 1940	Week ended June 21, 1941	Aggregate January 1 to June 21, 1941	Aggregate January 1 to June 21, 1940
Working days	6	6	146	148
Birmingham	2,130	2,265	56,160	54,306
Bradford	1,074	1,496	38,267	55,151
Bristol	2,251	2,032	42,382	47,913
Hull	604	601	20,291	15,607
Leicester	885	783	18,987	20,721
Liverpool	5,527	5,031	145,051	130,348
Manchester	10,878	10,567	283,537	287,019
South'pton	264	74	—	2,452

* June 15, 1940, and June 14, 1941. † Clearing begun May 14, 1940.

NEW YORK EXCHANGE RATES

New York on	June 19, 1941	June 20, 1941	June 21, 1941	June 23, 1941	June 24, 1941	June 25, 1941
London:—	Cents	Cents	Cents	Cents	Cents	Cents
Cables	403 ½	403 ½	403 ½	403 ½	403 ½	403 ½
Paris	2.33	2.33	2.33	2.33	2.33	2.33
Montreal, Can. \$	88.250	88.250	88.310	88.375	88.250	88.250
Japan, Yen	23.45-48	23.45-48	23.45-48	23.45-48	23.45-48	23.45-48
Shanghai, \$	5.58	5.58	5.58	5.56	5.54	5.54
B. Aires, Pso. (mkt. rate)	23.80*	23.80*	23.80*	23.80*	23.80*	23.75*
Brazil, Milreis	5.05	5.05	5.05	5.05	5.05	5.05

THE WEEK'S COMPANY RESULTS

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	+ or - Carry Forward	Total Profit	Net Profit	Or Div.
Financial Land, &c.													
Cable & Wireless (Holding)	Dec. 31	£ 1,366,979	£ ...	£ 1,207,950	1,434,173	£ 922,162	£ 275,325	% 4	£ ...	+ 10,463	£ 1,376,662	£ 1,218,427	9
Ciro Pearls (Holdings)	Mar. 25	2,340	...	245	Dr. 285,322	...	...	...	...	+ 245	9,671	5,037	N
Coal, Iron and Steel													
Barrow Hematite Steel	Dec. 31	100,586	...	83,192	102,255	...	35,363	5	50,000	+ 2,171	129,480	111,394	1
Briton Ferry Steel	Mar. 29	243,836	40,000	53,683	102,171	23,333	29,015	10	...	+ 1,335	256,829	53,238	1
Butterley Co.	Mar. 31	354,930	78,529	115,082	175,036	21,250	93,375	10	...	+ 457	354,936	141,594	1
Consett Iron	Mar. 31	631,069	125,000	263,987	464,448	40,000	210,000	7 1/2	...	+ 13,997	1,061,188	264,341	1
Doncaster Collieries	Mar. 31	382,484	126,824	222,598	308,520	52,067	103,586	4	50,000	+ 16,945	427,829	249,250	1
Harland and Wolff	Dec. 31	1,142,210	400,000	295,825	392,716	...	21,875	6 1/2	100,000	+ 1,543	828,933	381,784	0
Keith Blackman	Mar. 31	212,630	...	110,253	68,898	8,250	21,875	17	...	+ 8,289	162,574	32,770	1
Partridge, Jones & Paton	Mar. 31	110,253	...	110,253	283,648	...	13,750	5	5,000	+ 24,405	170,512	170,512	0
Stephenson (Robert)	Dec. 31	20,078	...	18,668	23,662	...	43,278	5	...	+ 18,361	68,882	58,882	2
Tredgar Iron, &c.	Mar. 31	76,639	15,000	61,639	108,236	...	156,800	20	60,000	- 607	565,480	204,902	2
Whitehead Iron & Steel	Mar. 31	565,792	70,000	216,193	219,806	...	...	...	...	...	...	...	...
Rubber													
Glen Bervie	Jan. 31	14,528	...	5,851	7,338	...	3,548	4 1/2	2,000	+ 303	9,331	6,422	4
Goleconda Malay	Dec. 31	19,038	...	8,456	8,441	...	5,085	9	2,000	+ 1,182	20,301	11,354	1
Inch, Kenneth Kajang	Dec. 31	26,553	322	10,931	122,270	13,453	5,809	8	3,026	+ 1,182	20,301	11,354	1
Kepong (Malay)	Dec. 31	271,677	10,931	122,270	13,453	5,809	8	3,026	...	+ 1,182	149,218	100,969	1
Londo, Asiatic	Dec. 31	311,788	...	79,618	162,319	...	92,945	12 1/2	25,500	+ 332	171,463	84,765	1
Muar Itam	Dec. 31	11,947	206	2,590	2,883	...	2,496	5	30,000	+ 332	171,463	84,765	1
Nirmala (Java)	Dec. 31	19,822	1,044	7,291	18,275	1,631	2,496	10	...	+ 94	2,429	978	1
Slak	Dec. 31	4,886	206	2,546	3,112	...	2,599	4 1/2	...	+ 5,690	21,044	10,810	1
Eastern Producer, &c.	Dec. 31	118,181	14,731	45,540	83,555	3,600	41,625	12 1/2	...	+ 53	2,220	1,246	1
Lunava (Ceylon)	Dec. 31	199,519	...	55,941	135,837	...	55,427	10	...	+ 315	113,050	53,424	1
Nuwara Eliya	Dec. 31	70,523	6,748	38,523	51,933	...	33,600	12	33,000	+ 1,923	200,294	92,602	1
Bleachers' Association	Mar. 31	338,408	140,000	Dr. 5,222 (n)	144,369	68,406 (k)	...	...	...	- 73,728	293,321	49,722	N
Other Companies													
Albion Greyhounds	May 31	11,500	...	10,880	12,494	...	9,757	(c)	...	+ 1,123	14,847	14,190	12
Andrews, Shallow & Co.	Mar. 31	56,216	10,000	24,830	65,658	13,125	13,125	7 1/2	...	+ 1,420	44,299	30,740	1
Associated British Engineering	Mar. 31	26,744	...	9,917	16,391	7,478	3,812	5	...	+ 1,373	23,228	9,246	1
Bradlow's Stores	Dec. 31	7,653	...	4,566	4,566	4,500	...	...	...	+ 66	15,052	6,128	N
Cable & Wireless	Dec. 31	7,494,871	...	2,375,771	2,813,607	...	1,200,000	4	...	+ 1,175,771	5,730,929	1,610,369	1
Colman (J. & J.)	Dec. 31	283,738	...	278,414	437,247	44,713	175,446	16	68,769	+ 10,514	282,630	59,562	1
Crosley Motors	Mar. 31	83,074	20,000	59,780	84,294	14,413	45,000	15	20,000	+ 5,220	89,680	59,562	1
Ebonite Container	Feb. 28	18,303	...	17,304	27,884	...	1,450	17	...	+ 2,854	14,550	13,566	1
Forster's Glass	Mar. 31	96,768	...	40,826	58,960	13,125	22,031	15	5,000	+ 670	124,467	50,714	1
Greene, King & Sons	Mar. 31	309,109	8,948	95,648	151,035	10,000	70,200	18	17,536	+ 2,088	249,271	96,563	1
Griffiths Hughes Prop.	Mar. 31	55,699	...	50,845	55,291	28,187	22,500	3	...	+ 158	87,719	82,835	1
Hall & Co.	Mar. 31	142,961	...	20,395	222,750	17,500	141,410	7 1/2	...	+ 1,877	3,518	1,877	1
Hart (Thomas)	Mar. 31	9,454	1,818	1,593	6,157	4,269	25,251	25	10,000	+ 19,125	39,518	37,563	1
Holbrooks, Limited	Mar. 31	11,171	...	3,171	26,886	2,144	450	3	...	+ 7	10,025	2,435	2
Liverpool Storage	Mar. 31	6,088	1,000	4,688	12,799	...	7,200	4	...	+ 6,173	98,951	50,129	1
Marconi's Wireless	Dec. 31	563,732	60,432	164,884	172,658	17,500	141,410	12 1/2	...	+ 1,877	3,518	1,877	1
Metal Closures	Dec. 31	35,322	...	8,472	14,933	...	12,625	7	...	+ 9,574	521,647	150,793	1
Parkinson & Cowan	Dec. 31	34,419	1,999	55,843	136,094	30,188	29,250	9	75,000	+ 29,487	630,216	608,291	2
Reckitt & Sons	Dec. 31	560,157	...	544,045	783,588	20,748	11,160	3	25,000	+ 1,065	44,067	55,708	1
Ribble Motor Services	Mar. 31	1,837,445	200,000	230,085	276,977	13,000	473,214	22 1/2	...	+ 1,847	44,067	55,708	1
Scottish Drapery Corp.	April 19	83,327	...	74,868	136,094	30,188	120,000	10	75,000	+ 22,085	1,604,177	211,068	2
"Shell" Transport & Co.	Dec. 31	2,882,822	...	2,329,845	2,767,076	800,000	1,447,282	9	...	+ 15,430	95,790	83,918	1
Sudan Salt	Dec. 31	28,867	3,238	15,530	19,209	9,212	6,300	5 1/2	...	+ 82,563	2,527,786	2,477,844	1
Swan (John) & Sons	April 30	16,178	3,000	6,378	19,209	9,212	6,300	3 1/2	...	+ 18	27,624	16,369	1
Tunnel Asbestos Cement	Nov. 30	55,699	17,212	20,912	28,497	4,876	14,663	(c)	...	+ 778	9,761	4,716	1
Virol Limited	Mar. 31	175,364	...	15,357	67,055	8,750	7,500	10	...	+ 1,373	76,929	19,808	1
18 Companies not shown above		530	23	141	204	10	115	...	5	+ 11	256	144	1
Totals (£000's)	No. of Cos.	69	20,003	1,357	9,528	12,637	2,215	5,420	...	552	1,331	19,072	9,406
Week to June 28, 1941	936	201,737	14,438	192,165	156,527	21,737	66,793	...	8,941	1,694	195,461	112,895	...
Jan. 1 to June 28, 1941	936	201,737	14,438	192,165	156,527	21,737	66,793	...	8,941	1,694	195,461	112,895	...

† Free of Income Tax. (a) 30% Paid Free of Income Tax. (c) 15% on Ord. and 10% on Defd. (d) 10% on Ord. and 5% on Defd. (e) 6 months dividend at 5% per annum in respect of arrears to September 30th, 1934. (f) Excludes £100,000 provision for War Damage. (g) Paid on "A" and "B" Ordinary. (h) 6% on "A" and 4% on "B" Ordinary. (i) Represents 31-2997% on Ord. and 100% on Deferred.

DIVIDEND ANNOUNCEMENTS

Rates are actual unless stated per annum or in cash. Previous year's rate is total dividend unless marked* indicating interim dividend.

Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
MINING														
Ampat Tin	7 1/2	5	...	12	Sunnigama Co.	6 1/2	...	...	7 1/2	Mellows & Co.	10 1/2	...	...	2 1/2
Ayer Hiton Tin	7 1/2	...	...	...	Tremelby (Selangor) Rbr.	6 1/2	...	...	7 1/2	Millars' Timber	10 1/2	...	...	N
Gopeng Consolidated	3 1/2	...	...	...	United Sumatra Rubber	6	...	...	5	Modern Machine Tools	12 1/2	...	...	1 1/2
Kepong Dredging	2 1/2	...	...	...	Armstrong Siddeley	20*	...	...	20*	Morris Motors	110*	...	...	July 25
Panganga Mining	7 1/2	...	...	...	Beans Industries	10*	...	...	10*	Obison's (H.)	10 1/2	...	...	...
Pari Tin	5 1/2	...	...	...	Booth's Distilleries	4	...	...	4	Newman (H.)	10 1/2	...	...	...
Rantau Tin	12 1/2	...	...	...	British Alkaloids	12 1/2	...	...	4	Parkinson & Cowweries	10 1/2	...	...	...
Southern Tronoh Tin	7 1/2	...	...	...	Cohen & Wilks	24	...	...	45	Parkland Manufacturing	10 1/2	...	...	...
Sungei Besi Mines	10 1/2	...	...	...	Delo Tobacco	21*	...	...	Nil	Reckitt & Colman	5 1/2	...	...	...
Tronoh Mines	10*	...	...	...	Foster Clark	7	...	...	2 1/2	Reed (Albert E.)	3 1/2	...	...	...
TEA AND RUBBER														
Besocki Ptns.	7 1/2	6	...	5	Goldsbrough More	7 1/2	...	...	7 1/2	Revo Electric	15 1/2	...	...	...
British Darjeeling Tea	7 1/2	9	...	10	Griffiths Hughes	5 1/2	...	...	6 1/2	Royal Sovereign Pencil	...	...	...	N
Jhanje Tea	5 1/2	7 1/2	...	7 1/2	Hovis Limited	12 1/2	...	...	5	Saviers' Motor Units	...	...	...	...
Jokai Tea	10 1/2	4	...	10	Key Glassworks	7 1/2	...	...	20	Stanley Motors	...	...	...	N
Sandae Rubber	10 1/2	10	...	10	Lockhart (Allred)	7 1/2	...	...	7 1/2	Sterling Trust	2*	...	...	...
Sungei Batu Rubber	10 1/2	10	...	10	London Produce Clearing	21*	...	...	7 1/2	Summers (John) "A"	...	...	...	...
Sungei Chinch Rubber	10 1/2	12 1/2	...	8	Marston Valley Brick	6	...	...	2 1/2	United Brit. Oil (Trinidad)	...	...	...	...
										Whitehead Iron, &c.	10 1/2	...	...	...
										Witan Investment	2*	...	...	...

† Free of Income Tax.

OVERSEA WEEKLY TRAFFIC RECEIPTS

Name	Weeks Ending	Gross Receipts for Week	Aggregate Gross Receipts
		1941	1941
B.A. and Pacific	50	1,535,000	+ 480,000
B.A. Gt. Southern	50	1,207,000	+ 209,000
B.A. Western	50	238,000	+ 39,000
Canadian Pacific	25	8,204,000	+ 773,000
Central Argentine	50	1,740,400	+ 320,000

† Receipts in Argentine pesos.

UNIT TRUST PRICES

as supplied by managers and Unit Trust Association (Table excludes certain open and closed trusts)					
June 24, 1941	Name	June 24, 1941	Name	June 24, 1941	
19/6 bid	National D.	9/3-10/3xd	Key. Gold.	8/11-9/7	
2/9xd bid	Century.	10/10-12/7	Br. Ind. 44	8/9-12/3	
7/6 bid	Scottish..	9/3-10/10	Br. Inds.	13/3-14/9	
10/10-8/3	Univ. 2nd	11/10/13-17	Met. & Mfn.	9/9-11/8	
10-15/9	Inv. Flex.	9/9-10/3	Cum. Inv.	18/0-14/3	
10-15/9	Inv. Gen.	12/9-13/0	Producers	5/8-6/9	
9/16-6/9	Key. Flex.	9/9-10/3	Orthodox	7/9	
9-11/9	Key. Con.	9/0-10/3xd			

THE BANK OF NOVA SCOTIA

(Incorporated in Canada with Limited Liability)

Established 1832.

General Office: Toronto, Canada.

Paid Up Capital ...	\$12,000,000
Reserve Fund ...	\$24,000,000
Total Assets over ...	\$300,000,000

Special facilities are available to the public through the Branches of this Bank for the transaction of business with Canada, Newfoundland, Cuba, Puerto Rico, Dominican Republic, Jamaica, and the United States at Boston and New York.

Address enquiries to

London Branch:
108 OLD BROAD STREET, E.C.2.
E. C. MACLEOD, Manager.

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	\$8,800,000
RESERVE LIABILITY OF PROPRIETORS	\$10,000,000

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.

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS	£13,000,000
ASSETS EXCEED	£74,000,000
CLAIMS PAID EXCEED	£133,000,000

(1940 Accounts)

ECONOMIST BINDING CASES

Attractive binders to hold three months' issues of *The Economist* are still available.

These binders have no wires, clips or metal contrivances so that each issue can be bound in an instant for permanent reference.

Bound in full cloth (blue) and lettered in gilt.

Price 5s. 6d. post free (Overseas 6s. 6d.)

from

THE ECONOMIST

BRETENHAM HOUSE, LANCASTER PLACE, W.C.2.

The YOKOHAMA SPECIE BANK Limited

Incorporated in Japan. Established 1880.

Subscribed and Paid-up Capital Yen 100,000,000
Reserve Fund " 143,400,000

Head Office - YOKOHAMA

BRANCHES IN ALL PRINCIPAL PARTS OF THE WORLD.
London Office: 7 BISHOPSGATE, E.C.2. H. KANO, London Manager

IMPERIAL JAPANESE GOVERNMENT

SIX PER CENT. STERLING LOAN OF 1924

NOTICE IS HEREBY GIVEN that the COUPONS due 10th July, 1941, will be PAID on and after that date (Saturday excepted), between the hours of 11 and 2 at The Yokohama Specie Bank, Limited, where lists may be obtained. Coupons must be left three clear days for examination prior to payment.

For the YOKOHAMA SPECIE BANK, Limited,
H. KANO, Manager.

7 Bishopsgate, London, E.C. 2.
25th June, 1941.

TERMS OF SUBSCRIPTION TO THE ECONOMIST.

12 Months	£	s.	d.
	3	0	0
6 Months	1	10	0

Cheques to be made payable to The Economist Newspaper Ltd.

PUBLISHING OFFICE:

BRETENHAM HOUSE,
LANCASTER PLACE, LONDON, W.C.2

Telephone: TEMple Bar 3316

OFFER TO NEW READERS

Any reader who makes his first acquaintance with this journal with this week's issue is invited to fill up the attached:

To The Publisher, Economist Newspaper Ltd.,

Brettenham House, Lancaster Place, W.C.2.

In order to test the value of your publication I should like you to forward it to me by post for the next four weeks. If I then decide to become a subscriber, it is understood that there will be no charge for the copies thus received, but otherwise I shall be willing to pay 4s. to cover their cost.

Name.....

Address.....

INSURANCE NOTES

(Continued from page 857)

Provident Association.—The life assurance business of the Provident Association of London is intimately linked with schemes of house purchase finance. Advances on approved properties are made at 5 per cent interest, and where a policy has been in force for four years or more may be for as much as 100 per cent. of the value of the property. The annual report includes four separate revenue accounts. In 1940 new business was naturally much reduced, new policies issued assuring £759,292, compared with £1,460,176 in 1939; new advances aggregated £243,688 against £765,712. Net premiums amounted to £545,796, a reduction of £225,522. The net rate of interest earned was £2 19s. 4d. per cent, against £3 7s. 4d. per cent.

Death claims show a substantial increase from £92,931 to £243,930. In addition to life assurance, the association transacts a fair volume of annuity business, for which the considerations in 1940 were £160,588, a reduction of £145,366, and the payments made £239,394, a reduction of £10,186.

In the profit and loss account credit transfers, including £73,906 in respect of interest not carried to other accounts, amount to £153,043. Dividends at the same rate as before cost £80,000, and after transferring £50,000 to the investment reserve fund and making various other allocations, the balance carried is £33,713, a reduction of £1,616. Liabilities are valued on the stringent basis of 2s. per cent net for life assurance contracts and 5 per cent gross for annuities.

Stock Exchange securities are included at slightly under market prices; the assets in general, of which £8,018,228, more than half of the total, represent mortgages, are certified to be fully of the value stated, less the investment reserve fund of £600,000. Mortgages are geographically well distributed; the average amount outstanding in respect of each advance is £439 and the maximum sum loaned in respect of any one property under £3,000. In addition to the balance of profit and loss account there is a reserve fund of £750,000 and a policyholders' bonus equalisation reserve fund of £250,000. Bonus distributions are on a generous scale; for life policyholders in the ordinary branch the association has declared a reversionary bonus for the year 1940 of 30s. per cent.